

CITY OF LIBERAL, KANSAS
Liberal, Kansas

AUDIT REPORT
For the year ended December 31, 2012

CITY OF LIBERAL, KANSAS
FINANCIAL STATEMENTS
For the year ended December 31, 2012

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CITY OF LIBERAL, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Liberal, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Housing Authority of the City of Liberal (a discretely presented component unit), which represents 63 percent and 61 percent, respectively, of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Liberal (a discretely presented component unit), is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with the *Kansas Municipal Audit and Accounting Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

To the City Commission
City of Liberal, Kansas

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error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Commission
City of Liberal, Kansas

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Liberal, Kansas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013, on our consideration of the City of Liberal, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Liberal, Kansas' internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

September 11, 2013

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the City Commission
City of Liberal, Kansas

We have audited, in accordance with the *Kansas Municipal Audit and Accounting Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Liberal, Kansas' basic financial statements and have issued our report thereon dated September 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Liberal, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Liberal, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2012-1.

To the City Commission
City of Liberal, Kansas

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Liberal, Kansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Liberal, Kansas' Response to Findings

The City of Liberal, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Liberal, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hay•Rice & Associates, Chartered

September 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Liberal, we offer readers of the City of Liberal's financial statements this overview and analysis of the financial activities for the fiscal year ended December 31, 2012. Please read this report in conjunction with the City's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

As the City of Liberal has previously completed the implementation of GASB 34, a relevant comparison can be made between 2011 and 2012 in the financial statements.

The assets of the City of Liberal exceeded its liabilities at the close of 2012 by \$81,985,565 (net position). Of this amount, \$6,225,518 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Liberal's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Liberal's finances, in a manner similar to private-sector business, and can be found on pages 1 – 4 of this report.

The statement of net position presents information on all of the City of Liberal's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Liberal is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the City's property tax base, and the condition of the City's capital assets (roads, buildings, water, and sewer lines) to assess the overall health of the City.

The statement of activities presents information showing how the City of Liberal's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Liberal that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Liberal include general government, public safety, public works, and community service. The business-type activities of the City of Liberal include a municipal airport, sanitation, sewer, and water systems.

The government-wide financial statements include not only the City of Liberal itself but also a legally separate library and a legally separate housing authority, combined under one column heading of “Component Units.” Each of these entities has a Board appointed by the City of Liberal Commission. The Commission must also approve bond issuances by either entity. Financial information for these two component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Liberal, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Liberal can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the City’s major funds begins on page 5. Kansas State law requires certain funds at a minimum. The City of Liberal Commission has established other funds to help it control and manage money for particular purposes (Ex. Convention & Tourism Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. City Sales Tax Funds). The City’s two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Liberal maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are each considered major funds. Data from the other twenty-eight governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 50 – 56.

The basic governmental fund financial statements can be found on pages 5 – 11 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The City of Liberal uses enterprise funds to account for charging customers for the full cost of the services it provides in its water, sewer, sanitation, and airport operations, which are each considered to be major funds.

The basic proprietary fund financial statements can be found on pages 12 – 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Liberal's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Liberal's compliance with its annually appropriated budget for its general fund. This required supplementary information can be found on pages 46 – 49 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 50 – 81 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City of Liberal, assets exceeded liabilities by \$81,985,565 at the close of 2012.

The largest portion of the City of Liberal's net position, or 74.35%, reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. The City of Liberal uses these capital assets to provide services to citizens. It is important to note that these assets are not available for future spending. Although the City of Liberal's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

	City of Liberal's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$18,903,834	\$20,512,424	\$ 3,728,992	\$ 5,084,968	\$22,632,826	\$25,597,392
Capital assets	<u>43,282,673</u>	<u>41,760,311</u>	<u>32,328,636</u>	<u>32,433,006</u>	<u>75,611,309</u>	<u>74,193,317</u>
Total Assets	<u>\$62,186,507</u>	<u>\$62,272,735</u>	<u>\$36,057,628</u>	<u>\$37,517,974</u>	<u>\$98,244,135</u>	<u>\$99,790,709</u>
Long-term liabilities	\$ 3,085,581	\$ 2,601,503	\$ 6,313,589	\$ 7,825,638	\$ 9,399,170	\$10,427,141
Other liabilities	<u>6,172,524</u>	<u>6,194,165</u>	<u>855,458</u>	<u>1,183,838</u>	<u>7,027,982</u>	<u>7,378,003</u>
Total Liabilities	<u>\$ 9,258,105</u>	<u>\$ 8,795,668</u>	<u>\$ 7,169,047</u>	<u>\$ 9,009,476</u>	<u>\$16,427,152</u>	<u>\$17,805,144</u>
Net Position:						
Net investment in capital assets	\$40,016,495	\$38,929,315	\$22,047,344	\$20,910,871	\$62,063,839	\$59,840,186
Restricted	12,046,400	12,871,043	3,423,141	3,048,818	15,469,541	15,919,861
Unrestricted	<u>865,507</u>	<u>1,676,709</u>	<u>3,418,096</u>	<u>4,548,809</u>	<u>4,283,603</u>	<u>6,225,518</u>
Total Net Position	<u>\$52,928,402</u>	<u>\$53,477,067</u>	<u>\$28,888,581</u>	<u>\$28,508,498</u>	<u>\$81,816,983</u>	<u>\$81,985,565</u>

Governmental Activities

Governmental activities increased the City of Liberal's net position by \$548,665 through key elements, as follows:

City of Liberal's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,959,597	\$ 2,120,352	\$ 7,338,503	\$ 7,255,793	\$ 9,298,100	\$ 9,376,145
Operating grants and contributions	658,859	920,398	-	-	658,859	920,398
Capital grants and contributions	317,623	142,274	542,566	170,536	860,189	312,810
General Revenues:						
Property taxes	4,476,632	4,550,269	-	-	4,476,632	4,550,269
Other taxes	10,329,101	10,862,668	-	-	10,329,101	10,862,668
Other	<u>487,197</u>	<u>551,340</u>	<u>255,757</u>	<u>67,240</u>	<u>742,954</u>	<u>618,580</u>
Total Revenues	<u>\$18,229,009</u>	<u>\$19,147,301</u>	<u>\$ 8,136,826</u>	<u>\$ 7,493,569</u>	<u>\$26,365,835</u>	<u>\$26,640,870</u>
<u>Expenses</u>						
General Government	\$ 3,953,444	\$ 3,705,383	\$ -	\$ -	\$ 3,953,444	\$ 3,705,383
Public Safety	6,628,645	6,696,447	-	-	6,628,645	6,696,447
Public Works	2,821,972	3,845,166	-	-	2,821,972	3,845,166
Community Service	2,961,672	2,985,729	-	-	2,961,672	2,985,729
Community/Economic Development	1,010,784	1,365,911	-	-	1,010,784	1,365,911
Water	-	-	2,947,997	3,240,584	2,947,997	3,240,584
Sewer	-	-	2,066,054	2,071,400	2,066,054	2,071,400
Sanitation	-	-	1,563,587	1,528,245	1,563,587	1,528,245
Airport	-	-	<u>1,518,077</u>	<u>1,033,423</u>	<u>1,518,077</u>	<u>1,033,423</u>
Total Expenses	<u>\$17,376,517</u>	<u>\$18,598,636</u>	<u>\$ 8,095,715</u>	<u>\$ 7,873,652</u>	<u>\$25,472,232</u>	<u>\$26,472,288</u>
Increase in Net Position	\$ 852,492	\$ 548,665	\$ 41,111	\$ (380,083)	\$ 893,603	\$ 168,582
Net Position, January 1	<u>52,075,910</u>	<u>52,928,402</u>	<u>28,847,470</u>	<u>28,888,581</u>	<u>80,923,380</u>	<u>81,816,983</u>
Net Position, December 31	<u>\$52,928,402</u>	<u>\$53,477,067</u>	<u>\$28,888,581</u>	<u>\$28,508,498</u>	<u>\$81,816,983</u>	<u>\$81,985,565</u>

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-Type Activities

Business-type activities decreased the City of Liberal's net position by \$380,083, as referenced in the table above.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Liberal uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Liberal's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Liberal's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of 2012, the City of Liberal's governmental funds reported combined ending fund balances of \$15,197,341, or an increase of \$1,632,968.

Approximately \$13,244,703 is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available due to prior commitments such as liquidating contracts and purchase orders of the prior period in the amount of \$137,936, or for a variety of other restricted purposes in the amount of \$1,814,702.

Proprietary Funds

The City of Liberal's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds is as follows: the Water Fund totaled \$3,265,209, the Sewer Fund totaled \$427,362, the Sanitation Fund totaled \$725,268, and the Airport Fund totaled \$130,970.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2012, the budgeted general fund revenue exceeded the actual amount by \$929,777 and the general fund expenses were less than the budgeted amount by \$1,636,144, which gives an overall favorable amount of \$2,565,921. After transfers there was a favorable amount of \$2,626,254.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had \$74,193,317 invested in capital assets including police and fire equipment, buildings, park facilities, new roads, and water and sewer lines, as follows:

City of Liberal's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 1,555,864	\$ 1,552,593	\$ 4,180,400	\$ 4,173,000	\$ 5,736,264	\$ 5,725,593
Construction in progress	1,185,906	1,003,388	387,684	2,494,152	1,573,590	3,497,540
Buildings	8,925,965	8,936,634	9,628,080	9,610,361	18,554,045	18,546,995
Improvements	7,864,184	8,253,613	34,917,228	35,002,317	42,781,412	43,255,930
Equipment	4,885,387	4,953,393	3,189,340	3,196,813	8,074,727	8,150,206
Vehicles	4,524,870	4,739,948	1,935,694	1,969,821	6,460,564	6,709,769
Streets	60,030,481	60,153,840	-	-	60,030,481	60,153,840
Accumulated depreciation	(46,042,242)	(48,219,662)	(25,434,704)	(27,105,339)	(71,476,946)	(75,325,001)
Total	<u>\$ 42,930,415</u>	<u>\$ 41,373,747</u>	<u>\$ 28,803,722</u>	<u>\$ 29,341,125</u>	<u>\$ 71,734,137</u>	<u>\$ 70,714,872</u>

Additional information on the City of Liberal's capital assets can be found in Note 4 on pages 37 – 39 of this report.

Long-Term Debt

At the end of 2012, the City of Liberal had \$11,602,941 in outstanding bonds, compensated absences, notes, and capital leases. Additional long-term debt information can be found in Note 6 on pages 40 – 42 of this report, and is summarized, as follows:

City of Liberal's Long-Term Debt						
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$ 1,635,000	\$ 1,250,000	\$ 6,735,000	\$ 6,200,000	\$ 8,370,000	\$ 7,450,000
Compensated absences	631,986	641,275	92,211	90,347	724,197	731,622
Capital leases & temporary notes	<u>1,243,084</u>	<u>1,167,746</u>	<u>-</u>	<u>2,253,573</u>	<u>1,243,084</u>	<u>3,421,319</u>
Total	<u>\$ 3,510,070</u>	<u>\$ 3,059,021</u>	<u>\$ 6,827,211</u>	<u>\$ 8,543,920</u>	<u>\$ 10,337,281</u>	<u>\$ 11,602,941</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City has taken a focused approach towards maximizing the rate of return on taxpayer funds. We have also expanded our banking relationships wherein we designated all local banks additional depositories and they have the opportunity to bid on City taxpayer funds, based upon the State of Kansas Pooled Money Investment Board rates. Due to the overall state of the economy, we have reduced our budgeted investment earnings, although due to bids we continually receive, we are still optimizing these earnings as much as possible.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Finance Director, City of Liberal, 324 North Kansas Avenue, Liberal, Kansas 67901.

CITY OF LIBERAL, KANSAS

BASIC FINANCIAL STATEMENTS

CITY OF LIBERAL, KANSAS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
ASSETS				
Current Assets				
Cash, including time deposits	\$ 13,822,479	\$ 4,143,779	\$ 17,966,258	\$ 681,601
Taxes receivable	5,174,259	-	5,174,259	583,598
Accounts receivable (net)	137,902	423,485	561,387	397
Receivable from other governments	943,268	-	943,268	-
Unbilled receivable	-	227,652	227,652	-
Interest receivable	736	456	1,192	-
Inventory	309,319	263,385	572,704	5,520
Prepaid expenses	124,461	26,211	150,672	4,560
Total current assets	\$ 20,512,424	\$ 5,084,968	\$ 25,597,392	\$ 1,275,676
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	\$ 386,564	\$ 3,048,818	\$ 3,435,382	\$ 35,712
Other Assets:				
Deferred bond cost	-	79,781	79,781	-
Less – Amortization	-	(36,718)	(36,718)	-
Capital Assets:				
Construction in progress	1,003,388	2,494,152	3,497,540	1,071,550
Land	1,552,593	4,173,000	5,725,593	132,465
Buildings	8,936,634	9,610,361	18,546,995	4,604,689
Improvements other than buildings	8,253,613	35,002,317	43,255,930	275,633
Machinery, equipment, furniture and fixtures	4,953,393	3,196,813	8,150,206	829,602
Vehicles	4,739,948	1,969,821	6,709,769	-
Streets	60,153,840	-	60,153,840	-
Less – Accumulated depreciation	(48,219,662)	(27,105,339)	(75,325,001)	(3,834,653)
Total noncurrent assets	\$ 41,760,311	\$ 32,433,006	\$ 74,193,317	\$ 3,114,998
Total Assets	\$ 62,272,735	\$ 37,517,974	\$ 99,790,709	\$ 4,390,674

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 1

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 219,744	\$ 248,443	\$ 468,187	\$ 11,986
Accrued interest payable	8,314	65,776	74,090	1,426
Accrued wages and benefits	553,616	113,848	667,464	15,204
Unapplied credits	-	17,745	17,745	17,802
Lease purchase contracts – Current	79,204	213,026	292,230	-
General obligation bonds payable – Current	405,000	525,000	930,000	-
Notes payable – Current	-	-	-	18,446
Deferred revenue	4,928,287	-	4,928,287	664,823
Total current liabilities	\$ 6,194,165	\$ 1,183,838	\$ 7,378,003	\$ 729,687
Noncurrent Liabilities				
Deferred bond premium	\$ 38,123	\$ 21,514	\$ 59,637	\$ -
Less – Accretion	(11,437)	(1,770)	(13,207)	-
Accrued compensated absences	641,275	90,347	731,622	14,029
General obligation bonds payable	845,000	5,675,000	6,520,000	-
Notes payable – Net of current portion	-	-	-	343,161
Lease purchase contracts	1,088,542	2,040,547	3,129,089	-
Total noncurrent liabilities	\$ 2,601,503	\$ 7,825,638	\$10,427,141	\$ 357,190
Total Liabilities	\$ 8,795,668	\$ 9,009,476	\$17,805,144	\$1,086,877
NET POSITION				
Net investment in capital assets	\$38,929,315	\$20,910,871	\$59,840,186	\$2,717,679
Restricted for:				
Capital projects	1,194,300	1,479,561	2,673,861	-
Debt service	2,235,987	1,279,818	3,515,805	-
Other purposes	9,440,756	289,439	9,730,195	35,712
Unrestricted	1,676,709	4,548,809	6,225,518	550,406
Total Net Position	\$53,477,067	\$28,508,498	\$81,985,565	\$3,303,797

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
Administration	\$ 1,471,370	\$ 36,171	-	-	\$ (1,435,199)	-	\$ (1,435,199)	-
Planning commission	888	2,675	-	-	1,787	-	1,787	-
Building inspection	371,719	159,502	-	-	(212,217)	-	(212,217)	-
Legislative	72,548	-	-	-	(72,548)	-	(72,548)	-
Utility billing	173,207	107	-	-	(173,100)	-	(173,100)	-
Employees' benefits	1,484,301	1,353	-	-	(1,482,948)	-	(1,482,948)	-
Health and welfare	35,000	-	-	-	(35,000)	-	(35,000)	-
Interest and fiscal charges	96,350	-	-	-	(96,350)	-	(96,350)	-
Total general government	\$ 3,705,383	\$ 199,808	-	-	\$ (3,505,575)	-	\$ (3,505,575)	-
Public Safety:								
Police	\$ 3,684,441	\$ 64,864	\$ 18,928	\$ 5,898	\$ (3,594,751)	-	\$ (3,594,751)	-
Fire	1,376,868	27,463	-	41,934	(1,307,471)	-	(1,307,471)	-
Municipal Court	762,553	852,424	-	45,000	134,871	-	134,871	-
Communications	630,917	355	269,400	-	(361,162)	-	(361,162)	-
Animal control	241,668	23,182	-	26,882	(191,604)	-	(191,604)	-
Total public safety	\$ 6,696,447	\$ 968,288	\$288,328	\$119,714	\$ (5,320,117)	-	\$ (5,320,117)	-
Public Works:								
Transportation	\$ 2,744,110	\$ 20,202	\$ -	\$ -	\$ (2,723,908)	-	\$ (2,723,908)	-
Engineering	87,044	-	-	-	(87,044)	-	(87,044)	-
Recreation	505,070	116,879	115,373	22,560	(250,258)	-	(250,258)	-
Arkalon	64,166	15,148	125	-	(48,893)	-	(48,893)	-
Beautification	222,256	4,440	-	-	(217,816)	-	(217,816)	-
Street lighting	222,520	-	-	-	(222,520)	-	(222,520)	-
Total public works	\$ 3,845,166	\$ 156,669	\$115,498	\$ 22,560	\$ (3,550,439)	-	\$ (3,550,439)	-
Community Service:								
Golf course	\$ 554,491	\$ 382,623	\$ 1,500	-	\$ (170,368)	-	\$ (170,368)	-
Parks	629,726	28,693	15,116	-	(585,917)	-	(585,917)	-
Swimming pool	332,971	193,857	-	-	(139,114)	-	(139,114)	-
Cemeteries	154,036	48,175	5,759	-	(100,102)	-	(100,102)	-
Library	561,005	-	-	-	(561,005)	-	(561,005)	-
Air Museum	373,985	69,892	88,982	-	(215,111)	-	(215,111)	-
Convention and Tourism	379,515	67,802	-	-	(311,713)	-	(311,713)	-
Total community service	\$ 2,985,729	\$ 791,042	\$111,357	-	\$ (2,083,330)	-	\$ (2,083,330)	-
Community/Economic Development:								
Urban Development and Housing	\$ 654,784	\$ -	\$211,369	-	\$ (443,415)	-	\$ (443,415)	-
Economic development	711,127	4,545	193,846	-	(512,736)	-	(512,736)	-
Total community/economic development	\$ 1,365,911	\$ 4,545	\$405,215	-	\$ (956,151)	-	\$ (956,151)	-
Total governmental activities	\$18,598,636	\$2,120,352	\$920,398	\$142,274	\$ (15,415,612)	-	\$ (15,415,612)	-

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for	Operating	Capital	Changes in Net Position			
		Services & Other	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:								
Water	\$ 3,240,584	\$3,476,187	-	\$ -	-	\$ 235,603	\$ 235,603	-
Sewer	2,071,400	1,707,860	-	-	-	(363,540)	(363,540)	-
Airport	1,033,423	1,721,343	-	170,536	-	858,456	858,456	-
Sanitation	<u>1,528,245</u>	<u>350,403</u>	-	-	-	<u>(1,177,842)</u>	<u>(1,177,842)</u>	-
Total business-type activities	<u>\$ 7,873,652</u>	<u>\$7,255,793</u>	-	<u>\$170,536</u>	-	<u>\$ (447,323)</u>	<u>\$ (447,323)</u>	-
Total Primary Government	<u><u>\$26,472,288</u></u>	<u><u>\$9,376,145</u></u>	<u><u>\$920,398</u></u>	<u><u>\$312,810</u></u>	<u><u>\$ (15,415,612)</u></u>	<u><u>\$ (447,323)</u></u>	<u><u>\$ (15,862,935)</u></u>	<u><u>-</u></u>
Component Units:								
Housing Authority	\$ 842,868	\$ 414,334	\$356,591	\$273,284	-	-	-	\$ 201,341
Library	<u>621,333</u>	<u>26,834</u>	<u>68,853</u>	-	-	-	-	<u>(525,646)</u>
Total Component Units	<u><u>\$ 1,464,201</u></u>	<u><u>\$ 441,168</u></u>	<u><u>\$425,444</u></u>	<u><u>\$273,284</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ (324,305)</u></u>
General Revenues:								
Ad valorem property tax					\$ 4,550,269	\$ -	\$ 4,550,269	\$ 561,005
Delinquent tax					168,113	-	168,113	-
Franchise tax					1,751,964	-	1,751,964	-
Motor vehicle tax					696,269	-	696,269	-
Local sales tax					7,046,415	-	7,046,415	-
Liquor tax					108,406	-	108,406	-
Transient guest tax					526,516	-	526,516	-
Highway connecting links					33,185	-	33,185	-
Gasoline tax					531,800	-	531,800	-
Administrative fees					352,500	-	352,500	-
Interest					22,961	19,060	42,021	2,351
Royalties					20,034	50,580	70,614	-
Lease income					159,126	-	159,126	-
Gain or (loss) on disposal of assets					<u>(3,281)</u>	<u>(2,400)</u>	<u>(5,681)</u>	-
Total general revenues and transfers					<u><u>\$ 15,964,277</u></u>	<u><u>\$ 67,240</u></u>	<u><u>\$ 16,031,517</u></u>	<u><u>\$ 563,356</u></u>
Change in Net Position								
Net Position, Beginning					\$ 548,665	\$ (380,083)	\$ 168,582	\$ 239,051
Net Position, Ending					<u>52,928,402</u>	<u>28,888,581</u>	<u>81,816,983</u>	<u>3,064,746</u>
					<u><u>\$ 53,477,067</u></u>	<u><u>\$28,508,498</u></u>	<u><u>\$ 81,985,565</u></u>	<u><u>\$3,303,797</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2012

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Other</u>	<u>Reclassifications</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>and Eliminations</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>		<u>Funds</u>
ASSETS						
Cash, including time deposits	\$ 864,796	\$1,285,036	\$2,235,987	\$ 9,512,069	\$ -	\$13,897,888
Cash, restricted	-	-	10,106	376,458	-	386,564
Accounts receivable	137,902	-	-	-	-	137,902
Interest receivable	350	-	-	386	-	736
Due from other funds	-	53,044	-	-	(53,044)	-
Taxes receivable	3,173,514	-	635	2,000,110	-	5,174,259
Receivable from other governments	258,879	36,949	-	647,440	-	943,268
Inventory	257,928	-	-	51,391	-	309,319
Prepaid expense	74,602	-	-	49,859	-	124,461
Total Assets	<u>\$4,767,971</u>	<u>\$1,375,029</u>	<u>\$2,246,728</u>	<u>\$12,637,713</u>	<u>\$ (53,044)</u>	<u>\$20,974,397</u>
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts payable	\$ 91,571	\$ 15,327	\$ 10,106	\$ 102,740	\$ -	\$ 219,744
Accrued wages and benefits	399,565	-	-	154,051	-	553,616
Deferred revenue	2,966,025	-	-	1,962,262	-	4,928,287
Due to other funds	-	-	-	53,044	(53,044)	-
Bank overdraft	-	75,409	-	-	-	75,409
Total liabilities	<u>\$3,457,161</u>	<u>\$ 90,736</u>	<u>\$ 10,106</u>	<u>\$ 2,272,097</u>	<u>\$ (53,044)</u>	<u>\$ 5,777,056</u>
<u>Fund Balances</u>						
Nonspendable for accounts receivable, inventory and prepaid expenses	\$ 937,150	\$ 89,993	\$ 635	\$ 786,924	-	\$ 1,814,702
Assigned for encumbrances	-	-	-	137,936	-	137,936
Assigned to:						
Special Revenue Funds	-	-	-	9,440,756	-	9,440,756
Capital Projects Funds	-	1,194,300	-	-	-	1,194,300
Debt Service Funds	-	-	2,235,987	-	-	2,235,987
Unassigned	373,660	-	-	-	-	373,660
Total fund balances	<u>\$1,310,810</u>	<u>\$1,284,293</u>	<u>\$2,236,622</u>	<u>\$10,365,616</u>	<u>-</u>	<u>\$15,197,341</u>
Total Liabilities and Fund Balances	<u>\$4,767,971</u>	<u>\$1,375,029</u>	<u>\$2,246,728</u>	<u>\$12,637,713</u>	<u>\$ (53,044)</u>	<u>\$20,974,397</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 3
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2012

Total Governmental Fund Balances	\$15,197,341
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of \$48,219,662	41,373,747
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(1,250,000)
Lease purchase contracts payable	(1,167,746)
Accrued interest	(8,314)
Accrued compensated absences	(641,275)
Deferred bond premium	(38,123)
Accumulated accretion	<u>11,437</u>
Net Position of Governmental Activities	<u>\$53,477,067</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2012

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>					
Taxes	\$ 5,271,219	\$ -	\$ 9,473	\$ 2,008,333	\$ 7,289,025
Intergovernmental	3,369,876	241,160	-	5,648,824	9,259,860
Licenses, permits & fees	110,810	-	-	-	110,810
Charges for services	864,426	-	-	172,988	1,037,414
Fines and forfeitures	852,424	-	-	-	852,424
Interest income	13,228	-	-	10,014	23,242
Royalty and lease income	178,228	-	-	932	179,160
Entities' share	-	1,747,609	-	-	1,747,609
Contribution	20,000	-	-	332,957	352,957
Miscellaneous	538,363	-	-	90,844	629,207
Total revenues	<u>\$11,218,574</u>	<u>\$1,988,769</u>	<u>\$ 9,473</u>	<u>\$ 8,264,892</u>	<u>\$21,481,708</u>
<u>Expenditures</u>					
Current Operations:					
General Government:					
Administration	\$ 1,656,329	-	-	\$ -	\$ 1,656,329
Planning commission	888	-	-	-	888
Building inspection	367,613	-	-	-	367,613
Legislative	72,548	-	-	-	72,548
Utility billing	172,605	-	-	-	172,605
Employees' benefits	-	-	-	1,480,438	1,480,438
Health and welfare	-	-	-	35,000	35,000
Total general gov.	<u>\$ 2,269,983</u>	<u>-</u>	<u>-</u>	<u>\$ 1,515,438</u>	<u>\$ 3,785,421</u>
Public Safety:					
Police	\$ 3,163,915	-	-	\$ 333,188	\$ 3,497,103
Fire	1,171,989	-	-	43,707	1,215,696
Municipal Court	739,662	-	-	33,000	772,662
Communications	-	-	-	632,071	632,071
Animal control	244,713	-	-	-	244,713
Total public safety	<u>\$ 5,320,279</u>	<u>-</u>	<u>-</u>	<u>\$ 1,041,966</u>	<u>\$ 6,362,245</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2012

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)					
Current Operations (Cont.):					
Public Works:					
Transportation	\$ 917,535	-	-	\$ 1,440,651	\$ 2,358,186
Engineering	85,677	-	-	-	85,677
Recreation	357,653	-	-	174,544	532,197
Arkalon	51,455	-	-	-	51,455
Beautification	-	-	-	222,256	222,256
Street lighting	249,743	-	-	-	249,743
Total public works	\$ 1,662,063	-	-	\$ 1,837,451	\$ 3,499,514
Community Service:					
Golf course	\$ 534,430	-	-	\$ 1,500	\$ 535,930
Parks	538,201	-	-	14,733	552,934
Swimming pool	109,967	-	-	-	109,967
Cemeteries	135,831	-	-	21,968	157,799
Library	-	-	-	561,005	561,005
Air Museum	-	-	-	399,222	399,222
Convention & Tourism	-	-	-	390,102	390,102
Total community service	\$ 1,318,429	-	-	\$ 1,388,530	\$ 2,706,959
Community/Economic Development:					
Urban Housing and Development	\$ -	\$ 249,523	-	\$ 436,280	\$ 685,803
Economic development	147,449	-	-	762,018	909,467
Total community/economic develop.	\$ 147,449	\$ 249,523	-	\$ 1,198,298	\$ 1,595,270
Debt Service:					
Principal	-	-	\$ 385,000	-	\$ 385,000
Interest & other charges	-	-	59,405	-	59,405
Total debt service	-	-	\$ 444,405	-	\$ 444,405
Capital outlay	-	\$ 708,644	-	\$ 90,666	\$ 799,310
Total expenditures	\$10,718,203	\$ 958,167	\$ 444,405	\$ 7,072,349	\$19,193,124

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2012

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Excess (deficiency) of revenues over expenditures	\$ <u>500,371</u>	\$ <u>1,030,602</u>	\$ <u>(434,932)</u>	\$ <u>1,192,543</u>	\$ <u>2,288,584</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ -	-	\$ 444,405	\$ 678,767	\$ 1,123,172
Operating transfers out	<u>(658,767)</u>	<u>-</u>	<u>-</u>	<u>(464,405)</u>	<u>(1,123,172)</u>
Total other financing sources (uses)	\$ <u>(658,767)</u>	<u>-</u>	\$ <u>444,405</u>	\$ <u>214,362</u>	<u>-</u>
Net change in fund balances	\$ (158,396)	\$ 1,030,602	\$ 9,473	\$ 1,406,905	\$ 2,288,584
Fund Balances, Beginning	1,517,973	886,757	2,229,590	8,930,053	13,564,373
Other Changes:					
Increase or (decrease) in reserves	<u>(48,767)</u>	<u>(633,066)</u>	<u>(2,441)</u>	<u>28,658</u>	<u>(655,616)</u>
Fund Balances, Ending	\$ <u>1,310,810</u>	\$ <u>1,284,293</u>	\$ <u>2,236,622</u>	\$ <u>10,365,616</u>	\$ <u>15,197,341</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

Net Change in Fund Balances – Total Governmental Funds \$ 2,288,584

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense:

Capital asset purchases capitalized	842,138
Depreciation expense	(2,348,000)
Basis of assets disposed of	(50,806)
Accretion	9,150

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the fund:

Current taxes receivable	5,174,259
Prior taxes receivable	(5,253,949)
Current accounts receivable	137,902
Prior accounts receivable	(110,849)
Current due from other funds	53,044
Prior due from other funds	(687,489)
Current receivable from other governments	906,319
Prior receivable from other governments	(833,632)
Current grants receivable	36,949
Prior grants receivable	(52,349)
Current interest receivable	736
Prior interest receivable	(1,017)
Current deferred revenue on receivables	(4,928,287)
Prior deferred revenue on receivables	4,899,170

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

Repayment of debt principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position:

Bond principal payments	385,000
Capital lease principal payments	75,338

In the statement of activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due:

Current interest payable	(8,314)
Prior interest payable	20,480

Some assets, such as prepaid insurance and inventory, are reported as reserves
to fund balances in the governmental funds statement so these amounts are
included in the expense accounts on the governmental funds:

Current prepaid maintenance contracts	30,637
Prior prepaid maintenance contracts	(30,067)
Current prepaid insurance	93,824
Prior prepaid insurance	(83,212)
Current inventory	309,319
Prior inventory	(316,924)

Some expense reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources and therefore are not reported
as expenditures in governmental funds:

Current compensated absences	(641,275)
Prior compensated absences	<u>631,986</u>

Change in Net Position on Governmental Activities \$ 548,665

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2012

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
ASSETS					
<u>Current Assets</u>					
Cash, including time deposits	\$ 3,142,468	\$ 304,558	\$ 551,746	\$ 145,007	\$ 4,143,779
Accounts receivable (net)	197,958	88,962	125,424	11,141	423,485
Unbilled receivable	90,636	56,148	80,868	-	227,652
Interest receivable	273	72	59	52	456
Inventory	141,169	42,939	79,277	-	263,385
Prepaid expenses	<u>6,479</u>	<u>7,319</u>	<u>5,428</u>	<u>6,985</u>	<u>26,211</u>
Total current assets	\$ <u>3,578,983</u>	\$ <u>499,998</u>	\$ <u>842,802</u>	\$ <u>163,185</u>	\$ <u>5,084,968</u>
<u>Noncurrent Assets</u>					
Restricted Assets:					
Cash, including time deposits	\$ 1,308,602	\$ 499,416	\$ 478,424	\$ 762,376	\$ 3,048,818
Other Assets:					
Deferred bond cost	79,781	-	-	-	79,781
<u>Less – Amortization</u>	(36,718)	-	-	-	(36,718)
Capital Assets:					
Construction in progress	2,034,136	460,016	-	-	2,494,152
Land	757,219	1,042,226	51,349	2,322,206	4,173,000
Buildings	699,600	7,362,878	67,730	1,480,153	9,610,361
Improvements other than buildings	19,205,594	6,590,575	2,816	9,203,332	35,002,317
Machinery, equipment, furniture and fixtures	845,982	1,574,939	662,105	113,787	3,196,813
Vehicles	302,293	169,793	1,075,715	422,020	1,969,821
<u>Less – Accumulated deprec.</u>	<u>(9,320,777)</u>	<u>(10,377,761)</u>	<u>(1,782,719)</u>	<u>(5,624,082)</u>	<u>(27,105,339)</u>
Total noncurrent assets	\$ <u>15,875,712</u>	\$ <u>7,322,082</u>	\$ <u>555,420</u>	\$ <u>8,679,792</u>	\$ <u>32,433,006</u>
Total Assets	\$ <u>19,454,695</u>	\$ <u>7,822,080</u>	\$ <u>1,398,222</u>	\$ <u>8,842,977</u>	\$ <u>37,517,974</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 5

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2012

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
LIABILITIES					
<u>Current Liabilities</u>					
Payable from Current Assets:					
Accounts payable	\$ 153,428	\$ 28,863	\$ 42,967	\$ 23,185	\$ 248,443
Accrued interest payable	65,776	-	-	-	65,776
Accrued wages and benefits	45,101	18,765	43,213	6,769	113,848
Unapplied credits	<u>16,330</u>	<u>-</u>	<u>120</u>	<u>1,295</u>	<u>17,745</u>
Total current liabilities payable from current assets	\$ 280,635	\$ 47,628	\$ 86,300	\$ 31,249	\$ 445,812
Payable from Restricted Assets:					
Current portion of general obligation bonds	525,000	-	-	-	525,000
Current portion of lease purchase	<u>213,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,026</u>
Total current liabilities	\$ <u>1,018,661</u>	\$ <u>47,628</u>	\$ <u>86,300</u>	\$ <u>31,249</u>	\$ <u>1,183,838</u>
<u>Noncurrent Liabilities</u>					
Deferred bond premium	\$ 21,514	\$ -	\$ -	\$ -	\$ 21,514
Less – Amortization	(1,770)	-	-	-	(1,770)
Accrued compensated absences	33,139	25,008	31,234	966	90,347
General obligation bonds payable	5,675,000	-	-	-	5,675,000
Lease purchase payable	<u>2,040,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,040,547</u>
Total noncurrent liabilities	\$ <u>7,768,430</u>	\$ <u>25,008</u>	\$ <u>31,234</u>	\$ <u>966</u>	\$ <u>7,825,638</u>
Total Liabilities	\$ <u>8,787,091</u>	\$ <u>72,636</u>	\$ <u>117,534</u>	\$ <u>32,215</u>	\$ <u>9,009,476</u>
NET POSITION					
Net investment in capital assets	\$ 6,093,793	\$ 6,822,666	\$ 76,996	\$ 7,917,416	\$20,910,871
Restricted for:					
Capital projects	28,784	499,416	478,424	472,937	1,479,561
Other purposes	1,279,818	-	-	289,439	1,569,257
Unrestricted	<u>3,265,209</u>	<u>427,362</u>	<u>725,268</u>	<u>130,970</u>	<u>4,548,809</u>
Total Net Position	\$ <u>10,667,604</u>	\$ <u>7,749,444</u>	\$ <u>1,280,688</u>	\$ <u>8,810,762</u>	\$ <u>28,508,498</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2012

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Operating Revenues</u>					
Charges for services	\$3,436,453	\$1,707,593	\$1,721,323	\$ 233,106	\$ 7,098,475
Other sales or services	<u>39,734</u>	<u>267</u>	<u>20</u>	<u>117,297</u>	<u>157,318</u>
Total operating revenues	<u>\$3,476,187</u>	<u>\$1,707,860</u>	<u>\$1,721,343</u>	<u>\$ 350,403</u>	<u>\$ 7,255,793</u>
<u>Operating Expenses</u>					
Production:					
Salaries and wages	\$ 71,382	-	-	-	\$ 71,382
Employees' benefits	34,439	-	-	-	34,439
Power, fuel and electrical					
power	545,456	-	-	-	545,456
Repairs and maintenance	81,898	-	-	-	81,898
Other contractual	10,435	-	-	-	10,435
Operating supplies	8,408	-	-	-	8,408
Gas and oil	<u>10,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,302</u>
Total production expenses	<u>\$ 762,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 762,320</u>
Transmission and Distribution:					
Salaries and wages	\$ 299,017	-	-	-	\$ 299,017
Employees' benefits	141,730	-	-	-	141,730
Repairs and maintenance	234,997	-	-	-	234,997
Vehicle insurance	4,291	-	-	-	4,291
Other contractual	5,445	-	-	-	5,445
Gas and oil	23,210	-	-	-	23,210
Other	<u>2,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,752</u>
Total transmission and					
distribution expenses	<u>\$ 711,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 711,442</u>
Vector Control:					
Other	<u>\$ 40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 40</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2012

	Business-Type Activities				<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	
<u>Operating Expenses (Continued)</u>					
Pick-up Service:					
Salaries and wages	-	-	\$ 368,738	-	\$ 368,738
Employees' benefits	-	-	150,868	-	150,868
Repairs and maintenance	-	-	113,370	-	113,370
Landfill service	-	-	475,153	-	475,153
Other contractual	-	-	296	-	296
Gas and oil	-	-	99,999	-	99,999
Equipment and vehicle ins.	-	-	13,637	-	13,637
Operational supplies	-	-	71,121	-	71,121
Total pick-up service exp.	-	-	<u>\$1,293,182</u>	-	<u>\$ 1,293,182</u>
Plant Operations:					
Salaries and wages	-	\$ 109,168	-	-	\$ 109,168
Employees' benefits	-	48,300	-	-	48,300
Utilities	-	257,132	-	-	257,132
Repairs and maintenance	-	53,206	-	-	53,206
Other contractual	-	1,663	-	-	1,663
Operating supplies	-	610,215	-	-	610,215
Gas and oil	-	16,120	-	-	16,120
Total plant operations expense	-	<u>\$1,095,804</u>	-	-	<u>\$ 1,095,804</u>
Line Operations:					
Salaries and wages	-	\$ 45,743	-	-	\$ 45,743
Employees' benefits	-	16,591	-	-	16,591
Repairs and maintenance	-	59,565	-	-	59,565
Telephone	-	1,204	-	-	1,204
Operating supplies	-	4,592	-	-	4,592
Gas and oil	-	8,115	-	-	8,115
Total line operations exp.	-	<u>\$ 135,810</u>	-	-	<u>\$ 135,810</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2012

	Business-Type Activities				Totals
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	
<u>Operating Expenses</u> (Continued)					
Administrative, General and Billings:					
Salaries and wages	\$ 83,216	\$ 121,236	\$ -	\$ 79,035	\$ 283,487
Employees' benefits	41,285	50,880	-	32,957	125,122
Repairs and maintenance	3,878	1,870	-	92,965	98,713
Audit and legal fees	7,700	5,100	5,500	4,500	22,800
Travel and meetings	1,210	1,917	-	2,055	5,182
Office supplies and expenses	5,795	9,891	-	2,402	18,088
Sales tax	37,617	-	-	-	37,617
Property taxes	-	-	-	40,405	40,405
Utilities and telephone	4,335	4,289	14,904	24,257	47,785
Insurance	10,507	21,999	-	25,164	57,670
Depreciation	799,098	370,325	4,822	557,025	1,731,270
Laboratory expense	-	35,075	-	-	35,075
State water plan	34,706	-	-	-	34,706
Franchise fees	250,000	100,000	100,000	-	450,000
Bad debt expense	13,249	9,418	9,837	-	32,504
Engineering fees	4,699	-	-	144,748	149,447
Clean drinking water fee	32,537	-	-	-	32,537
Other	18,198	7,786	-	25,410	51,394
Administration	<u>150,000</u>	<u>100,000</u>	<u>100,000</u>	<u>2,500</u>	<u>352,500</u>
Total administrative exp.	<u>\$1,498,030</u>	<u>\$ 839,786</u>	<u>\$ 235,063</u>	<u>\$1,033,423</u>	<u>\$ 3,606,302</u>
Total operating exp.	<u>\$2,971,832</u>	<u>\$2,071,400</u>	<u>\$1,528,245</u>	<u>\$1,033,423</u>	<u>\$ 7,604,900</u>
Net Operating Income	<u>\$ 504,355</u>	<u>\$ (363,540)</u>	<u>\$ 193,098</u>	<u>\$ (683,020)</u>	<u>\$ (349,107)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2012

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Non-Operating Revenue (Expense)</u>					
Interest income	\$ 14,894	\$ 1,735	\$ 1,319	\$ 1,112	\$ 19,060
Royalty income	-	-	-	50,580	50,580
Interest and fiscal charges	(264,946)	-	-	-	(264,946)
Amortization of deferred bond cost	(5,440)	-	-	-	(5,440)
Accretion of deferred bond premium	1,634	-	-	-	1,634
Grants and other funding	-	-	-	170,536	170,536
Gain (loss) on disposal of assets	-	-	-	(2,400)	(2,400)
Total non-operating revenue (expense)	<u>\$ (253,858)</u>	<u>\$ 1,735</u>	<u>\$ 1,319</u>	<u>\$ 219,828</u>	<u>\$ (30,976)</u>
Change in Net Position	\$ 250,497	\$ (361,805)	\$ 194,417	\$ (463,192)	\$ (380,083)
Net Position, Beginning of year	<u>10,417,107</u>	<u>8,111,249</u>	<u>1,086,271</u>	<u>9,273,954</u>	<u>28,888,581</u>
Net Position, End of year	<u>\$10,667,604</u>	<u>\$7,749,444</u>	<u>\$1,280,688</u>	<u>\$8,810,762</u>	<u>\$28,508,498</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 7

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2012

	Business-Type Activities				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 3,451,932	\$ 1,708,968	\$ 1,728,405	\$ 236,471	\$ 7,125,776
Cash paid to suppliers and employees	(2,101,538)	(1,723,161)	(1,520,468)	(474,799)	(5,819,966)
Other sales and miscellaneous income	<u>39,734</u>	<u>267</u>	<u>20</u>	<u>117,297</u>	<u>157,318</u>
Net cash provided (used) by operating activities	\$ <u>1,390,128</u>	\$ <u>(13,926)</u>	\$ <u>207,957</u>	\$ <u>(121,031)</u>	\$ <u>1,463,128</u>
<u>Cash Flows from Non-Capital Financing Activities</u>					
Interest paid	\$ (217,702)	-	-	\$ -	\$ (217,702)
Grant income	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,536</u>	<u>170,536</u>
Net cash provided (used) by non-capital financing activities	\$ <u>(217,702)</u>	<u>-</u>	<u>-</u>	\$ <u>170,536</u>	\$ <u>(47,166)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of capital assets	\$ (2,171,605)	\$ (80,328)	\$ (19,500)	\$ (4,640)	\$ (2,276,073)
Cash received on sale of assets	-	-	-	5,000	5,000
Cash received on issuance of lease purchase contract	2,358,000	-	-	-	2,358,000
Payment on lease purchase contract	(104,427)	-	-	-	(104,427)
Payment on general obligation bonds	<u>(535,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(535,000)</u>
Net cash provided (used) for capital and related financing activities	\$ <u>(453,032)</u>	\$ <u>(80,328)</u>	\$ <u>(19,500)</u>	\$ <u>360</u>	\$ <u>(552,500)</u>
<u>Cash Flows from Investing Activities</u>					
Interest income	\$ 14,919	\$ 1,766	\$ 1,329	\$ 1,126	\$ 19,140
Royalty revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,580</u>	<u>50,580</u>
Net cash provided by investing activities	\$ <u>14,919</u>	\$ <u>1,766</u>	\$ <u>1,329</u>	\$ <u>51,706</u>	\$ <u>69,720</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 734,313	\$ (92,488)	\$ 189,786	\$ 101,571	\$ 933,182
Cash and Cash Equivalents at Beginning of Year	<u>3,673,028</u>	<u>896,462</u>	<u>840,384</u>	<u>805,812</u>	<u>6,215,686</u>
Cash and Cash Equivalents at End of Year	\$ <u>4,407,341</u>	\$ <u>803,974</u>	\$ <u>1,030,170</u>	\$ <u>907,383</u>	\$ <u>7,148,868</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 7
(Continued)

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2012

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ <u>504,355</u>	\$ <u>(363,540)</u>	\$ <u>193,098</u>	\$ <u>(683,020)</u>	\$ <u>(349,107)</u>
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation expense	\$ 799,098	\$ 370,325	\$ 4,822	\$ 557,025	\$ 1,731,270
Changes in Assets and Liabilities:					
Decrease (increase) in accounts receivable	21,774	10,793	17,159	2,810	52,536
Decrease (increase) in prepaid expenses	1,384	(152)	(334)	(415)	483
Decrease (increase) in inventory	7,917	(3,057)	(9,431)	-	(4,571)
(Decrease) increase in unapplied credits	6,954	-	(240)	555	7,269
(Decrease) increase in accrued compensated absences	1,416	152	4,566	(7,998)	(1,864)
(Decrease) increase in accounts payable	50,068	(26,376)	(4,080)	9,711	29,323
(Decrease) increase in accrued salaries	<u>(2,838)</u>	<u>(2,071)</u>	<u>2,397</u>	<u>301</u>	<u>(2,211)</u>
Total adjustments	\$ <u>885,773</u>	\$ <u>349,614</u>	\$ <u>14,859</u>	\$ <u>561,989</u>	\$ <u>1,812,235</u>
Net Cash Provided by Operating Activities	\$ <u>1,390,128</u>	\$ <u>(13,926)</u>	\$ <u>207,957</u>	\$ <u>(121,031)</u>	\$ <u>1,463,128</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 8

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

December 31, 2012

	<u>Agency Funds</u>				
	<u>Insurance</u>	<u>Municipal Court</u>	<u>Health Insurance Reserve</u>	<u>Employee Cafeteria Fund</u>	<u>Payroll Fund</u>
					<u>Total</u>
ASSETS					
Cash, including time deposits	\$ <u>9,192</u>	\$ <u>41,037</u>	\$ <u>1,389,294</u>	\$ <u>2,159</u>	\$ <u>73</u>
					\$ <u>1,441,755</u>
LIABILITIES					
Due others	\$ <u>9,192</u>	\$ <u>41,037</u>	\$ <u>1,389,294</u>	\$ <u>2,159</u>	\$ <u>73</u>
					\$ <u>1,441,755</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

Statement 9

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
 December 31, 2012

	<u>Insurance</u>	<u>Municipal Court</u>	<u>Health Insurance Reserve</u>	<u>Employee Cafeteria Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
ADDITIONS						
Payroll withholdings and employer taxes and benefits	\$6,336,598	\$ -	\$1,829,500	\$ 8,206	\$101,444	\$8,275,748
Bonds posted	<u>-</u>	<u>341,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,930</u>
Total additions	<u>\$6,336,598</u>	<u>\$341,930</u>	<u>\$1,829,500</u>	<u>\$ 8,206</u>	<u>\$101,444</u>	<u>\$8,617,678</u>
DEDUCTIONS						
Personal services	\$6,336,400	\$ -	\$1,711,135	\$ 8,699	\$101,434	\$8,157,668
Contractual services	<u>-</u>	<u>367,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,383</u>
Total deductions	<u>\$6,336,400</u>	<u>\$367,383</u>	<u>\$1,711,135</u>	<u>\$ 8,699</u>	<u>\$101,434</u>	<u>\$8,525,051</u>
Change in Net Position	\$ 198	\$ (25,453)	\$ 118,365	\$ (493)	\$ 10	\$ 92,627
Net Position – Beginning of Year	<u>8,994</u>	<u>66,490</u>	<u>1,270,929</u>	<u>2,652</u>	<u>63</u>	<u>1,349,128</u>
Net Position – End of Year	<u>\$ 9,192</u>	<u>\$ 41,037</u>	<u>\$1,389,294</u>	<u>\$ 2,159</u>	<u>\$ 73</u>	<u>\$1,441,755</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberal, Kansas is a municipal corporation governed by an elected five-member commission. The City's major operations include police and fire protection, library, parks, recreation, public works and general administrative services. In addition, the City owns and operates a water, sewer and sanitation system.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted accounting in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Discretely presented component units of the City of Liberal, Kansas are as follows:

1. Housing Authority – An appointed City board operates the City’s housing projects. The authority can sue and be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. The authority has a year end of September 30. Copies of the financial statements may be obtained from the Housing Authority located at Parklane Towers, 1401 N. New York Ave., Liberal, Kansas.
2. Library Board – An appointed City board operates the municipal library. The City Commissioners must approve acquisition or disposition of real property. Bond issuances must also be approved by the City’s governing body. Copies of the financial statements may be obtained from the Library located at 519 N. Kansas, Liberal, Kansas.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued):

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). The reporting entity includes only one Capital Projects Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the City (other than debt service payments made by enterprise funds).

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds (Not included in government-wide statements):

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The Water Fund accounts for the water services to residents of the City and some residents of the County.

The Sewer Fund accounts for the sewer services to residents of the City and some residents of the County.

The Sanitation Fund accounts for the pick-up service of trash and garbage to the residents of the City and some residents of the County.

The Airport Fund accounts for all income and revenue derived from the operations of the Airport Industrial Park.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand and savings accounts and certificates of deposits of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Receivables and Payables

Activity between funds that are outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The City records water revenue billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and refuse services are billed monthly.

Only amounts of delinquent tax collected by the County Treasurer are included as receivables. Records of back tax are such that it is impracticable to ascertain the amounts that represent receivables.

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the City and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of back taxes, accounts receivable, which were considered doubtful as to collectibility, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Inventories and Prepaid Items

Inventories in the general fund consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 to 50 years
Motor vehicles and motorized equipment	3 to 7 years
Furniture, machinery and equipment	5 to 8 years
Extensions	50 years
Infrastructure	20 to 90 years

The City has a collection of airplanes presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences

The City accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. Sick leave is not required to be accrued as of December 31, 2012.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Net Investment in Capital Assets – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position – Consists of net position that is restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – All other net position is reported in this category.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.

Assigned – Amounts that are designated by City officials for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures and Expenses

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

- A. Annual budgets are adopted for most City funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
 - a. Preparation of the budget for the succeeding calendar year on or before August 1st.
 - b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
 - c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
 - d. Adoption of the final budget on or before August 25th.
- B. For day-to-day management control, expenditures plus encumbrances may not exceed budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund).
- C. The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. Any unused budgeted expenditure authority lapses at year end.
- D. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

- E. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplementary Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.
 - F. A legal operating budget is not required for capital projects funds, fiduciary type funds, and the following special revenue funds:
 - a. Municipal Equipment Fund
 - b. Bequest Fund
 - c. Diversion Program Fund
 - d. Cemetery Perpetual Fund
 - e. Fire Insurance Proceeds Fund
 - f. Sobriety Checkpoint Grant Fund
 - g. Nighttime Seatbelt Grant Fund
 - h. Edward Byrne Memorial Fund
- Spending in funds, which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.
- G. During the year ended December 31, 2012 the City did not over expend the legal operating budget in any fund.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 3: DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City of Liberal. The statute requires banks eligible to hold the City of Liberal's funds have a main or branch bank in the county in which the City of Liberal is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Liberal has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Liberal's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Liberal has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City of Liberal's deposits may not be returned or the City of Liberal will not be able to recover collateral securities in the possession of an outside party. The City of Liberal's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City of Liberal Commission approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the City of Liberal Finance Director. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of the City of Liberal's reporting entity are insured or collateralized with securities held by the City of Liberal, its agent, or by the pledging financial institutions' trust department or agent in the name of the City of Liberal or applicable public trust.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2012, the City of Liberal's carrying amount of deposits, including certificates of deposit, was \$21,752,657 and the bank balance was \$22,070,144. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining \$21,320,144 was collateralized with securities held by the pledging financial institution's agent in the City of Liberal's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Liberal will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

As of December 31, 2012, the City of Liberal's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Risk</u>
Primary Government			
<u>Pooled Investments</u>			
Kansas Municipal Investment Pool:			
General Government	\$1,030,319	\$1,030,319	
Health Insurance Reserve	50,313	50,313	

Government pools are considered a cash equivalent on the government-wide statement of net position.

City Investment Policy

The City of Liberal's current investment policy is complying with state statutes as to type of investments allowed. The City is currently in the process of developing a more detailed policy that will be more detailed in the assessment of credit risk and interest rate risk.

The City has historically only used investments in U.S. Agency Notes with short-term maturities. These policies have left the City with relatively low levels of credit risk and interest rate risk.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 1,555,864	\$ 40,000	\$ 43,271	-	\$ 1,552,593
Construction in progress	<u>1,185,906</u>	<u>377,055</u>	<u>559,573</u>	<u>-</u>	<u>1,003,388</u>
Total capital assets, not being depreciated	<u>\$ 2,741,770</u>	<u>\$ 417,055</u>	<u>\$602,844</u>	<u>-</u>	<u>\$ 2,555,981</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 8,925,965	\$ 10,669	\$ -	\$ -	\$ 8,936,634
Structures and improvements other than buildings	7,864,184	418,950	29,521	-	8,253,613
Machinery, equipment, furniture and fixtures	4,885,387	137,835	89,760	19,931	4,953,393
Vehicles	4,524,870	285,096	75,737	5,719	4,739,948
Streets and other assets	<u>60,030,481</u>	<u>132,106</u>	<u>8,747</u>	<u>-</u>	<u>60,153,840</u>
Total capital assets, being depreciated	<u>\$86,230,887</u>	<u>\$ 984,656</u>	<u>\$203,765</u>	<u>\$ 25,650</u>	<u>\$87,037,428</u>
<u>Less – Accumulated Depreciation for:</u>					
Buildings	\$ 4,327,772	\$ 246,729	\$ 4,707	\$ -	\$ 4,569,794
Structures and improvements other than buildings	2,250,189	338,604	20,589	-	2,568,204
Machinery, equipment, furniture and fixtures	3,954,082	297,831	86,818	19,931	4,185,026
Vehicles	3,922,537	285,135	75,737	5,719	4,137,654
Streets and other assets	<u>31,587,662</u>	<u>1,179,701</u>	<u>8,379</u>	<u>-</u>	<u>32,758,984</u>
Total accumulated depreciation	<u>\$46,042,242</u>	<u>\$ 2,348,000</u>	<u>\$196,230</u>	<u>\$ 25,650</u>	<u>\$48,219,662</u>
Total Capital Assets, Being Depreciated, Net	<u>\$40,188,645</u>	<u>\$ (1,363,344)</u>	<u>\$ 7,535</u>	<u>-</u>	<u>\$38,817,766</u>
Governmental Activities Capital Assets, Net	<u>\$42,930,415</u>	<u>\$ (946,289)</u>	<u>\$610,379</u>	<u>-</u>	<u>\$41,373,747</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 4,180,400	\$ -	\$ 7,400	-	\$ 4,173,000
Construction in progress	<u>387,684</u>	<u>2,106,468</u>	<u>-</u>	<u>-</u>	<u>2,494,152</u>
Total capital assets, not being depreciated	<u>\$ 4,568,084</u>	<u>\$ 2,106,468</u>	<u>\$ 7,400</u>	<u>-</u>	<u>\$ 6,667,152</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 9,628,080	\$ -	\$ 17,719	\$ -	\$ 9,610,361
Structures and improvements other than buildings	34,917,228	85,089	-	-	35,002,317
Machinery, equipment, furniture and fixtures	3,189,340	44,670	17,266	(19,931)	3,196,813
Vehicles	<u>1,935,694</u>	<u>39,846</u>	<u>-</u>	<u>(5,719)</u>	<u>1,969,821</u>
Total capital assets, being depreciated	<u>\$49,670,342</u>	<u>\$ 169,605</u>	<u>\$ 34,985</u>	<u>\$ (25,650)</u>	<u>\$49,779,312</u>
<u>Less</u> – Accumulated Depreciation for:					
Buildings	\$ 7,095,184	\$ 214,428	\$ 17,719	\$ -	\$ 7,291,893
Structures and improvements other than buildings	14,416,127	1,389,424	-	-	15,805,551
Machinery, equipment, furniture and fixtures	2,445,173	55,588	17,266	(19,931)	2,463,564
Vehicles	<u>1,478,220</u>	<u>71,830</u>	<u>-</u>	<u>(5,719)</u>	<u>1,544,331</u>
Total accumulated depreciation	<u>\$25,434,704</u>	<u>\$ 1,731,270</u>	<u>\$ 34,985</u>	<u>\$ (25,650)</u>	<u>\$27,105,339</u>
Total Capital Assets, Being Depreciated, Net	<u>\$24,235,638</u>	<u>\$ (1,561,665)</u>	<u>-</u>	<u>-</u>	<u>\$22,673,973</u>
Business-Type Activities Capital Assets, Net	<u>\$28,803,722</u>	<u>\$ 544,803</u>	<u>\$ 7,400</u>	<u>-</u>	<u>\$29,341,125</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

General Government:

Administration	\$ 95,565
Building inspection	4,952
Utility billing	602

Public Safety:

Police	199,431
Fire	198,558
Municipal Court	6,228
Communications	1,062

Public Works:

Transportation	1,335,218
Engineering	1,367
Recreation	35,747
Arkalon	12,711
Street lighting	9,694

Community Service:

Golf course	49,850
Parks	101,655
Swimming pool	224,363
Cemeteries	19,038
Air Museum	6,432
Convention and Tourism	13,943

Community/Economic Development:

Urban Development and Housing	8,981
Economic Development	<u>22,603</u>

Total Governmental Activities Depreciation Expense \$2,348,000

Business-Type Activities:

Water	\$ 799,098
Sanitation	4,822
Sewer	370,325
Airport	<u>557,025</u>

Total Business-Type Activities Depreciation Expense \$1,731,270

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2012 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Purpose</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Entity share	Street Drainage & Capital Improvements Fund	\$ 53,032
Capital Projects Fund	Entity share	Special Economic Development	12
Total			<u>\$ 53,044</u>

All balances are expected to be paid within one year.

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Air Museum Fund	\$ 179,667
	Communication Center Fund	404,100
	Employee Benefits	75,000
Street Drainage & Capital Improvements	Bond and Interest Fund	444,405
Tourism Fund	Air Museum Fund	20,000
Total		<u>\$1,123,172</u>

The transfers listed above were made according to the approved budget except for the transfers to the Bond and Interest Fund, which were made in accordance with KSA 12-6a16.

Note 6: LONG-TERM DEBT

Lease Purchase Contracts

The City of Liberal, Kansas has entered into several lease purchase contracts. Contracts outstanding at year end are as follows:

<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
General	5.5%	\$ 16,513
General	4.724%	1,151,233
Water	2.5%	<u>2,253,573</u>
		<u>\$3,421,319</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 6: LONG-TERM DEBT (Continued)

Lease Purchase Contracts (Continued)

Lease purchase debt service requirements to maturity, including \$712,113 of interest, are as follows:

<u>Year</u>	<u>General</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Total</u>
2013	\$ 133,598	\$ 267,965	\$ 401,563
2014	116,351	267,965	384,316
2015	116,351	267,965	384,316
2016	116,351	267,965	384,316
2017	116,351	267,965	384,316
2018-2022	581,753	1,205,842	1,787,595
2023-2026	<u>407,010</u>	<u>-</u>	<u>407,010</u>
	<u>\$1,587,765</u>	<u>\$2,545,667</u>	<u>\$4,133,432</u>

General Obligation Bonds

The City of Liberal, Kansas issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
Governmental activities	3.00%	\$1,250,000
Business-type activities – Water	4.00% - 4.250%	<u>6,200,000</u>
		<u>\$7,450,000</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 6: LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 405,000	\$ 37,500	\$ 525,000	\$ 208,750
2014	420,000	25,350	540,000	192,600
2015	425,000	12,750	555,000	174,750
2016	-	-	575,000	154,900
2017	-	-	610,000	134,275
2018-2022	-	-	2,565,000	338,413
2023-2026	-	-	830,000	33,106
	<u>\$1,250,000</u>	<u>\$ 75,600</u>	<u>\$6,200,000</u>	<u>\$1,236,794</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$1,635,000	\$ -	\$ 385,000	\$1,250,000	\$ 405,000
Capital leases	1,243,084	-	75,338	1,167,746	79,204
Compensated absences	<u>631,986</u>	<u>641,275</u>	<u>631,986</u>	<u>641,275</u>	<u>641,275</u>
Governmental activity					
long-term liabilities	<u>\$3,510,070</u>	<u>\$ 641,275</u>	<u>\$1,092,324</u>	<u>\$3,059,021</u>	<u>\$1,125,479</u>
Business-Type Activities:					
General obligation bonds	\$6,735,000	\$ -	\$ 535,000	\$6,200,000	\$ 525,000
Capital leases	-	2,358,000	104,427	2,253,573	213,026
Compensated absences	<u>92,211</u>	<u>90,347</u>	<u>92,211</u>	<u>90,347</u>	<u>90,347</u>
Business-type activity					
long-term liabilities	<u>\$6,827,211</u>	<u>\$2,448,347</u>	<u>\$ 731,638</u>	<u>\$8,543,920</u>	<u>\$ 828,373</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Liberal, Kansas participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2012 is 7.34%. The City of Liberal, Kansas employer contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$480,413, \$450,735 and \$391,470, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2012 is 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City of Liberal contributions to KP&F for the years ending December 31, 2012, 2011 and 2010 were \$448,266, \$389,082 and \$339,785, respectively, equal to the required contributions for each year.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 8: RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

The City of Liberal, Kansas established a health benefit plan for active full time employees who are working full normal work-weeks (not less than 30 hours) and are receiving full compensation. The City will pay benefits up to \$40,000 per covered person each benefit year. Claim payments under the plan will be administered by Blue Cross/Blue Shield of Kansas. Blue Cross/Blue Shield of Kansas insures against claims in excess of the \$40,000 limit up to \$2,000,000. The benefit year is a period of 12 months starting on January 1 and ending December 31.

Note 9: CONTINGENT LIABILITIES AND COMMITMENTS

Federal Assistance

The City of Liberal participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2012.

It is possible that the City's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the City expects such amounts, if any, to be immaterial.

Environmental Issues

Environmental issues pertaining to the City of Liberal are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

(Continued)

Note 10: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2012, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$1,961,636.

Note 11: AIRPORT LEASES

The City of Liberal leases space at the municipal airport to individuals and businesses. The lease contracts are for one year terms. The revenue is reported in the Airport Proprietary Fund.

Note 12: SUBSEQUENT EVENTS

The City of Liberal's management has evaluated events and transactions through September 11, 2013, the date which the financial statements were available to be issued.

CITY OF LIBERAL, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERAL, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2012

<u>Revenue</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$3,095,393	\$2,875,095	\$ (220,298)
Delinquent tax	50,000	105,819	55,819
Franchise	1,730,000	1,810,597	80,597
Motor vehicle tax	440,804	479,708	38,904
Total taxes	<u>\$5,316,197</u>	<u>\$5,271,219</u>	<u>\$ (44,978)</u>
Intergovernmental:			
Local sales tax	\$2,600,000	\$2,936,458	\$ 336,458
Private club liquor tax	29,000	36,880	7,880
Highway connecting links	33,000	33,185	185
Administrative fees	355,000	352,500	(2,500)
Total intergovernmental	<u>\$3,017,000</u>	<u>\$3,359,023</u>	<u>\$ 342,023</u>
Licenses, Permits and Fees:			
Building permits	\$ 33,750	\$ 29,156	\$ (4,594)
Occupational licenses	20,000	21,840	1,840
Other licenses and fees	22,500	29,075	6,575
Vehicle inspections	20,000	30,739	10,739
Total licenses, permits and fees	<u>\$ 96,250</u>	<u>\$ 110,810</u>	<u>\$ 14,560</u>
Charges for Services:			
Cemetery	\$ 38,300	\$ 48,175	\$ 9,875
Park fees, concessions	12,000	28,693	16,693
Swimming pool, concessions	222,000	193,857	(28,143)
Vehicle service charges	12,000	8,463	(3,537)
Recreation	82,700	116,879	34,179
Arkalon Park revenues	9,350	15,148	5,798
Golf course fees and other	394,500	382,623	(11,877)
Police	4,500	6,203	1,703
Animal shelter	14,000	23,182	9,182
Street lighting	2,500	2,544	44
Building Inspection Department:			
Mowing and demolition	30,000	35,984	5,984
Zoning and planning fees	2,000	2,675	675
Total charges for services	<u>\$ 823,850</u>	<u>\$ 864,426</u>	<u>\$ 40,576</u>

CITY OF LIBERAL, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenue (Continued)</u>			
Fines and Fees:			
Municipal Court	\$ <u>776,000</u>	\$ <u>852,424</u>	\$ <u>76,424</u>
Use of Money and Property:			
Interest	\$ <u>35,000</u>	\$ <u>13,228</u>	\$ <u>(21,772)</u>
Royalties and leases	<u>133,500</u>	<u>112,116</u>	<u>(21,384)</u>
Row water sales	<u>45,000</u>	<u>66,112</u>	<u>21,112</u>
Total use of money and property	\$ <u>213,500</u>	\$ <u>191,456</u>	\$ <u>(22,044)</u>
Miscellaneous:			
Capital projects reimbursement	\$ <u>-</u>	\$ <u>500,000</u>	\$ <u>500,000</u>
Other	<u>26,000</u>	<u>38,363</u>	<u>12,363</u>
Total miscellaneous	\$ <u>26,000</u>	\$ <u>538,363</u>	\$ <u>512,363</u>
Contributions	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>-</u>
Grant proceeds	<u>-</u>	\$ <u>10,853</u>	\$ <u>10,853</u>
Total revenue	\$ <u>10,288,797</u>	\$ <u>11,218,574</u>	\$ <u>929,777</u>
<u>Expenditures</u>			
General Government:			
Administration	\$ <u>1,867,152</u>	\$ <u>1,656,329</u>	\$ <u>210,823</u>
Planning Commission	<u>7,900</u>	<u>888</u>	<u>7,012</u>
Building inspection	<u>377,950</u>	<u>366,317</u>	<u>11,633</u>
Legislative	<u>76,000</u>	<u>72,548</u>	<u>3,452</u>
Utility billing	<u>196,500</u>	<u>171,486</u>	<u>25,014</u>
Total general government	\$ <u>2,525,502</u>	\$ <u>2,267,568</u>	\$ <u>257,934</u>
Public Safety:			
Police	\$ <u>3,711,700</u>	\$ <u>3,159,381</u>	\$ <u>552,319</u>
Fire	<u>1,328,800</u>	<u>1,171,989</u>	<u>156,811</u>
Municipal court	<u>695,900</u>	<u>739,662</u>	<u>(43,762)</u>
Animal control	<u>280,900</u>	<u>241,519</u>	<u>39,381</u>
Total public safety	\$ <u>6,017,300</u>	\$ <u>5,312,551</u>	\$ <u>704,749</u>
Economic Development	\$ <u>153,900</u>	\$ <u>147,449</u>	\$ <u>6,451</u>

CITY OF LIBERAL, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2012

<u>Expenditures (Continued)</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Public Works:			
Transportation	\$ 1,184,450	\$ 917,535	\$ 266,915
Engineering	115,150	85,677	29,473
Recreation	427,850	357,653	70,197
Arkalon	57,350	51,455	5,895
Street lighting	<u>210,000</u>	<u>249,743</u>	<u>(39,743)</u>
Total public works	<u>\$ 1,994,800</u>	<u>\$ 1,662,063</u>	<u>\$ 332,737</u>
Community Service:			
Golf course	\$ 611,700	\$ 534,324	\$ 77,376
Parks	570,700	538,201	32,499
Swimming pool	297,300	106,571	190,729
Cemeteries	<u>169,500</u>	<u>135,831</u>	<u>33,669</u>
Total community service	<u>\$ 1,649,200</u>	<u>\$ 1,314,927</u>	<u>\$ 334,273</u>
Total expenditures	<u>\$12,340,702</u>	<u>\$10,704,558</u>	<u>\$ 1,636,144</u>
Revenue over (under) expenditures	\$ (2,051,905)	\$ 514,016	\$ 2,565,921
Other Fund Financing Sources (Uses):			
Operating transfer (out)	<u>(719,100)</u>	<u>(658,767)</u>	<u>60,333</u>
Revenue over (under) expenditures and other financing sources (uses)	<u>\$ (2,771,005)</u>	<u>\$ (144,751)</u>	<u>\$ 2,626,254</u>
Fund Balances, January 1	2,771,005	1,517,973	(1,253,032)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	-	(48,767)	(48,767)
Encumbrances	<u>-</u>	<u>(13,645)</u>	<u>(13,645)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 1,310,810</u>	<u>\$ 1,310,810</u>

CITY OF LIBERAL, KANSAS

OTHER SUPPLEMENTARY INFORMATION

CITY OF LIBERAL, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2012

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks & Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
ASSETS								
Cash, including time deposits	\$ -	\$191,898	\$134,786	\$ 78,855	\$367,399	\$ 12,447	\$637,062	\$ 30,068
Cash, restricted	-	-	51,024	-	325,434	-	-	-
Taxes receivable	523,860	18,024	-	1,458,226	-	-	-	-
Receivable from other governments	-	-	-	-	130,170	8,189	139,653	8,188
Interest receivable	-	-	10	-	-	-	-	-
Inventory	-	-	-	-	-	-	12,826	-
Prepaid expenses	-	-	5,197	38,668	-	-	731	-
Total Assets	<u>\$523,860</u>	<u>\$209,922</u>	<u>\$191,017</u>	<u>\$1,575,749</u>	<u>\$823,003</u>	<u>\$ 20,636</u>	<u>\$790,272</u>	<u>\$ 38,256</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ -	\$ -	\$ 149	\$ 3,438	\$ 862	-	\$ 3,009	-
Accrued wages and benefits	-	-	29,899	75,417	8,651	-	5,198	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	513,052	17,107	-	1,432,103	-	-	-	-
Total liabilities	<u>\$513,052</u>	<u>\$ 17,107</u>	<u>\$ 30,048</u>	<u>\$1,510,958</u>	<u>\$ 9,513</u>	<u>-</u>	<u>\$ 8,207</u>	<u>-</u>
<u>Fund Balances</u>								
Nonspendable for receivables	\$ 10,808	\$ 917	\$ 10	\$ 26,123	\$130,170	\$ 8,189	\$139,653	\$ 8,188
Nonspendable for prepaid expenses	-	-	5,197	38,668	-	-	731	-
Nonspendable for inventory	-	-	-	-	-	-	12,826	-
Assigned for encumbrances	-	-	-	-	24,156	-	-	-
Assigned to Special Revenue Funds	-	191,898	155,762	-	659,164	12,447	628,855	30,068
Total fund balances	<u>\$ 10,808</u>	<u>\$192,815</u>	<u>\$160,969</u>	<u>\$ 64,791</u>	<u>\$813,490</u>	<u>\$ 20,636</u>	<u>\$782,065</u>	<u>\$ 38,256</u>
Total Liabilities and Fund Balances	<u>\$523,860</u>	<u>\$209,922</u>	<u>\$191,017</u>	<u>\$1,575,749</u>	<u>\$823,003</u>	<u>\$ 20,636</u>	<u>\$790,272</u>	<u>\$ 38,256</u>

CITY OF LIBERAL, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2012

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>	<u>Bequest</u>
ASSETS								
Cash, including time deposits	\$342,028	\$659,932	\$832,400	\$2,453,785	\$2,323,514	\$ 27,015	\$1,094,440	\$257,415
Cash, restricted	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Receivable from other governments	17,687	53,061	17,687	53,061	212,244	7,500	-	-
Interest receivable	19	37	47	139	132	-	-	-
Inventory	-	-	-	-	-	38,565	-	-
Prepaid expenses	<u>136</u>	<u>132</u>	<u>-</u>	<u>631</u>	<u>-</u>	<u>4,364</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$359,870</u>	<u>\$713,162</u>	<u>\$850,134</u>	<u>\$2,507,616</u>	<u>\$2,535,890</u>	<u>\$ 77,444</u>	<u>\$1,094,440</u>	<u>\$257,415</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ 693	\$ 43,029	\$ 224	\$ 8,974	\$ 6,423	\$ 5,925	\$ 3,862	\$ 26,152
Accrued wages and benefits	5,775	7,490	859	6,816	4,726	8,730	-	490
Due to other funds	-	-	-	12	53,032	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 6,468</u>	<u>\$ 50,519</u>	<u>\$ 1,083</u>	<u>\$ 15,802</u>	<u>\$ 64,181</u>	<u>\$ 14,655</u>	<u>\$ 3,862</u>	<u>\$ 26,642</u>
<u>Fund Balances</u>								
Nonspendable for receivables	\$ 17,706	\$ 53,098	\$ 17,734	\$ 53,200	\$ 212,376	\$ 7,500	\$ -	\$ -
Nonspendable for prepaid expenses	136	132	-	631	-	4,364	-	-
Nonspendable for inventory	-	-	-	-	-	38,565	-	-
Assigned for encumbrances	-	-	-	-	-	-	113,780	-
Assigned to Special Revenue Funds	<u>335,560</u>	<u>609,413</u>	<u>831,317</u>	<u>2,437,983</u>	<u>2,259,333</u>	<u>12,360</u>	<u>976,798</u>	<u>230,773</u>
Total fund balances	<u>\$353,402</u>	<u>\$662,643</u>	<u>\$849,051</u>	<u>\$2,491,814</u>	<u>\$2,471,709</u>	<u>\$ 62,789</u>	<u>\$1,090,578</u>	<u>\$230,773</u>
Total Liabilities and Fund Balances	<u>\$359,870</u>	<u>\$713,162</u>	<u>\$850,134</u>	<u>\$2,507,616</u>	<u>\$2,535,890</u>	<u>\$ 77,444</u>	<u>\$1,094,440</u>	<u>\$257,415</u>

CITY OF LIBERAL, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2012

	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Sobriety Checkpoint Grant</u>	<u>Nighttime Seatbelt Grant</u>	<u>Edward Byrne Memorial</u>	<u>Total Nonmajor Special Revenue</u>
ASSETS							
Cash, including time deposits	\$ 14,195	\$ 24,959	\$ 28,172	-	-	\$ 1,699	\$ 9,512,069
Cash, restricted	-	-	-	-	-	-	376,458
Taxes receivable	-	-	-	-	-	-	2,000,110
Receivable from other governments	-	-	-	-	-	-	647,440
Interest receivable	-	-	2	-	-	-	386
Inventory	-	-	-	-	-	-	51,391
Prepaid expenses	-	-	-	-	-	-	49,859
Total Assets	<u>\$ 14,195</u>	<u>\$ 24,959</u>	<u>\$ 28,174</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$12,637,713</u>
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts payable	-	-	-	-	-	-	\$ 102,740
Accrued wages and benefits	-	-	-	-	-	-	154,051
Due to other funds	-	-	-	-	-	-	53,044
Deferred revenue	-	-	-	-	-	-	1,962,262
Total liabilities	-	-	-	-	-	-	<u>\$ 2,272,097</u>
<u>Fund Balances</u>							
Nonspendable for receivables	\$ -	\$ -	\$ 2	-	-	\$ -	\$ 685,674
Nonspendable for prepaid expenses	-	-	-	-	-	-	49,859
Nonspendable for inventory	-	-	-	-	-	-	51,391
Assigned for encumbrances	-	-	-	-	-	-	137,936
Assigned to Special Revenue Funds	14,195	24,959	28,172	-	-	1,699	9,440,756
Total fund balances	<u>\$ 14,195</u>	<u>\$ 24,959</u>	<u>\$ 28,174</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$10,365,616</u>
Total Liabilities and Fund Balances	<u>\$ 14,195</u>	<u>\$ 24,959</u>	<u>\$ 28,174</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$12,637,713</u>

CITY OF LIBERAL, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2012

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks & Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
<u>Revenues</u>								
Taxes	\$561,005	\$ 47,331	\$ -	\$1,399,997	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	269,400	-	536,141	36,880	468,787	36,879
Charges for services	-	-	-	-	-	-	67,802	-
Use of money and property	-	-	250	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other	-	-	355	1,353	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Total revenues	<u>\$561,005</u>	<u>\$ 47,331</u>	<u>\$ 270,005</u>	<u>\$1,401,350</u>	<u>\$536,141</u>	<u>\$ 36,880</u>	<u>\$536,589</u>	<u>\$ 36,879</u>
<u>Expenditures</u>								
Public safety	\$ -	-	\$ 632,071	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	548,754	29,000	-	-
Community services	561,005	-	-	-	-	-	390,102	-
Health and welfare	-	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	1,480,438	-	-	-	-
Urban development and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>\$561,005</u>	<u>-</u>	<u>\$ 632,071</u>	<u>\$1,480,438</u>	<u>\$548,754</u>	<u>\$ 29,000</u>	<u>\$390,102</u>	<u>\$ 35,000</u>
Revenue over (under) expenditures	\$ -	\$ 47,331	\$ (362,066)	\$ (79,088)	\$ (12,613)	\$ 7,880	\$146,487	\$ 1,879
Other Financing Sources (Uses):								
Operating transfers in (out)	-	-	404,100	75,000	-	-	(20,000)	-
Fund Balances, January 1	17,416	146,198	118,881	74,824	830,444	13,500	629,698	37,122
Other Changes:								
Increase or (decrease) in reserves	<u>(6,608)</u>	<u>(714)</u>	<u>54</u>	<u>(5,945)</u>	<u>(4,341)</u>	<u>(744)</u>	<u>25,880</u>	<u>(745)</u>
Fund Balances, December 31	<u>\$ 10,808</u>	<u>\$192,815</u>	<u>\$ 160,969</u>	<u>\$ 64,791</u>	<u>\$813,490</u>	<u>\$ 20,636</u>	<u>\$782,065</u>	<u>\$ 38,256</u>

CITY OF LIBERAL, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2012

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>	<u>Bequest</u>
<u>Revenues</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	202,921	608,764	202,921	608,764	2,435,055	30,000	-	-
Charges for services	4,440	-	-	3,045	-	69,892	-	-
Use of money and property	528	731	1,232	3,604	3,633	300	-	-
Contributions	-	-	6,193	-	-	1,338	-	322,056
Other	-	47,525	-	-	-	-	14,035	-
Grants	-	-	-	193,846	-	-	-	-
Total revenues	<u>\$207,889</u>	<u>\$657,020</u>	<u>\$210,346</u>	<u>\$ 809,259</u>	<u>\$2,438,688</u>	<u>\$ 101,530</u>	<u>\$ 14,035</u>	<u>\$322,056</u>
<u>Expenditures</u>								
Public safety	\$ -	\$ -	\$206,884	\$ -	\$ -	\$ -	\$ -	\$ 74,137
Public works	222,256	-	-	-	891,897	-	-	145,544
Community services	-	-	-	-	-	299,713	-	129,755
Health and welfare	-	-	-	-	-	-	-	-
Employees' benefits	-	-	-	-	-	-	-	-
Urban development and housing	-	436,280	-	-	-	-	-	-
Economic development	-	-	-	762,018	-	-	-	-
Capital outlay	-	-	-	-	-	-	90,666	-
Total expenditures	<u>\$222,256</u>	<u>\$436,280</u>	<u>\$206,884</u>	<u>\$ 762,018</u>	<u>\$ 891,897</u>	<u>\$ 299,713</u>	<u>\$ 90,666</u>	<u>\$349,436</u>
Revenue over (under) expenditures	\$ (14,367)	\$220,740	\$ 3,462	\$ 47,241	\$1,546,791	\$ (198,183)	\$ (76,631)	\$ (27,380)
Other Financing Sources:								
Operating transfers in (out)	-	-	-	-	(444,405)	199,667	-	-
Fund Balances, January 1	366,486	437,929	844,288	2,440,034	1,353,485	49,642	1,167,209	258,153
Other Changes:								
Increase or (decrease) in reserves	<u>1,283</u>	<u>3,974</u>	<u>1,301</u>	<u>4,539</u>	<u>15,838</u>	<u>11,663</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$353,402</u>	<u>\$662,643</u>	<u>\$849,051</u>	<u>\$2,491,814</u>	<u>\$2,471,709</u>	<u>\$ 62,789</u>	<u>\$1,090,578</u>	<u>\$230,773</u>

CITY OF LIBERAL, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2012

	<u>Diversion</u> <u>Program</u>	<u>Cemetery</u> <u>Perpetual</u>	<u>Fire</u> <u>Insurance</u> <u>Proceeds</u>	<u>Sobriety</u> <u>Checkpoint</u> <u>Grant</u>	<u>Nighttime</u> <u>Seatbelt</u> <u>Grant</u>	<u>Edward Byrne</u> <u>Memorial</u>	<u>Total</u> <u>Nonmajor</u> <u>Special Revenue</u>
<u>Revenues</u>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,008,333
Intergovernmental	-	-	-	-	-	-	5,436,512
Charges for services	27,809	-	-	-	-	-	172,988
Use of money and property	-	632	36	-	-	-	10,946
Contributions	-	3,370	-	-	-	-	332,957
Other	113	-	27,463	-	-	-	90,844
Grants	-	-	-	1,267	420	16,779	212,312
Total revenues	\$ <u>27,922</u>	\$ <u>4,002</u>	\$ <u>27,499</u>	\$ <u>1,267</u>	\$ <u>420</u>	\$ <u>16,779</u>	\$ <u>8,264,892</u>
<u>Expenditures</u>							
Public safety	\$123,379	\$ -	\$ 3,808	\$ 1,267	\$ 420	-	\$ 1,041,966
Public works	-	-	-	-	-	-	1,837,451
Community services	-	7,955	-	-	-	-	1,388,530
Health and welfare	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	-	-	-	1,480,438
Urban development and housing	-	-	-	-	-	-	436,280
Economic development	-	-	-	-	-	-	762,018
Capital outlay	-	-	-	-	-	-	90,666
Total expenditures	\$ <u>123,379</u>	\$ <u>7,955</u>	\$ <u>3,808</u>	\$ <u>1,267</u>	\$ <u>420</u>	-	\$ <u>7,072,349</u>
Revenue over (under) expenditures	\$ (95,457)	\$ (3,953)	\$ 23,691	-	-	\$ 16,779	\$ 1,192,543
Other Financing Sources (Uses):							
Operating transfers in (out)	-	-	-	-	-	-	214,362
Fund Balances, January 1	109,652	28,912	4,481	-	-	1,699	8,930,053
Other Changes:							
Increase or (decrease) in reserves	-	-	2	-	-	(16,779)	28,658
Fund Balances, December 31	\$ <u>14,195</u>	\$ <u>24,959</u>	\$ <u>28,174</u>	-	-	\$ <u>1,699</u>	\$ <u>10,365,616</u>

CITY OF LIBERAL, KANSAS

Schedule 4-1

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$500,321	\$464,585	\$ (35,736)
Delinquent tax	10,000	17,314	7,314
Motor vehicle tax	<u>73,277</u>	<u>79,106</u>	<u>5,829</u>
Total revenue	\$583,598	\$561,005	\$ (22,593)
<u>Expenditures</u>			
Community Services:			
Appropriations to Library Board	<u>583,598</u>	<u>561,005</u>	<u>22,593</u>
Revenue over (under) expenditures	-	\$ -	\$ -
Fund Balances, January 1	-	17,416	17,416
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(6,608)</u>	<u>(6,608)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 10,808</u>	<u>\$ 10,808</u>

CITY OF LIBERAL, KANSAS

Schedule 4-2

SPECIAL FIRE EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 41,798	\$ 38,809	\$ (2,989)
Delinquent tax	2,000	1,645	(355)
Motor vehicle tax	<u>6,202</u>	<u>6,877</u>	<u>675</u>
Total revenue	\$ 50,000	\$ 47,331	\$ (2,669)
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Capital outlay	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Revenue over (under) expenditures	-	\$ 47,331	\$ 47,331
Fund Balances, January 1	-	146,198	146,198
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(714)</u>	<u>(714)</u>
Fund Balances, December 31	<u>-</u>	<u>\$192,815</u>	<u>\$192,815</u>

CITY OF LIBERAL, KANSAS

Schedule 4-3

COMMUNICATION CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Seward County	\$ 269,400	\$ 269,400	\$ -
Use of Money and Property:			
Interest	-	250	250
Other	<u>-</u>	<u>355</u>	<u>355</u>
Total revenue	\$ <u>269,400</u>	\$ <u>270,005</u>	\$ <u>605</u>
<u>Expenditures</u>			
Public Safety:			
Personal services	\$ 655,200	\$ 593,650	\$ 61,550
Operation and maintenance	<u>78,300</u>	<u>38,421</u>	<u>39,879</u>
Total expenditures	\$ <u>733,500</u>	\$ <u>632,071</u>	\$ <u>101,429</u>
Revenue over (under) expenditures	\$ (464,100)	\$ (362,066)	\$ 102,034
Other Financing Sources (Uses):			
Operating transfer in	404,100	404,100	-
Fund Balances, January 1	60,000	118,881	58,881
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expense	<u>-</u>	<u>54</u>	<u>54</u>
Fund Balances, December 31	<u>-</u>	\$ <u>160,969</u>	\$ <u>160,969</u>

CITY OF LIBERAL, KANSAS

Schedule 4-4

EMPLOYEES' BENEFITS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>
<u>Revenues</u>				
Taxes:				
Ad valorem property tax	\$1,261,647	\$1,261,647	\$1,171,769	\$ (89,878)
Delinquent tax	20,000	20,000	41,025	21,025
Motor vehicle tax	177,353	177,353	187,203	9,850
Other income	<u>-</u>	<u>-</u>	<u>1,353</u>	<u>1,353</u>
Total revenue	\$1,459,000	\$1,459,000	\$1,401,350	\$ (57,650)
<u>Expenditures</u>				
Employees' Benefits	<u>1,459,000</u>	<u>1,490,000</u>	<u>1,480,438</u>	<u>9,562</u>
Revenue over (under) expenditures	-	\$ (31,000)	\$ (79,088)	\$ (48,088)
Other Financing Sources (Uses):				
Operating transfer in (out)	-	-	75,000	75,000
Fund Balances, January 1	-	31,000	74,824	43,824
Other Changes:				
Increase or (Decrease) in Reserves:				
Prepaid expenses and receivables	<u>-</u>	<u>-</u>	<u>(5,945)</u>	<u>(5,945)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>\$ 64,791</u>	<u>\$ 64,791</u>

CITY OF LIBERAL, KANSAS

Schedule 4-5

SPECIAL CITY STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
State of Kansas – Gasoline tax	\$ 545,650	\$536,141	\$ (9,509)
<u>Expenditures</u>			
Public works	<u>714,500</u>	<u>572,910</u>	<u>141,590</u>
Revenue over (under) expenditures	\$ (168,850)	\$ (36,769)	\$132,081
Fund Balances, January 1	168,850	830,444	661,594
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	-	(4,341)	(4,341)
Encumbrances	<u>-</u>	<u>24,156</u>	<u>24,156</u>
Fund Balances, December 31	<u>-</u>	<u>\$813,490</u>	<u>\$813,490</u>

CITY OF LIBERAL, KANSAS

Schedule 4-6

SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 29,000	\$ 36,880	\$ 7,880
<u>Expenditures</u>			
Public Works:			
Maintenance	<u>29,000</u>	<u>29,000</u>	<u>-</u>
Revenue over (under) expenditures	-	\$ 7,880	\$ 7,880
Fund Balances, January 1	-	13,500	13,500
Other Changes:			
Increase (decrease) in reserves	<u>-</u>	<u>(744)</u>	<u>(744)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 20,636</u>	<u>\$ 20,636</u>

CITY OF LIBERAL, KANSAS

Schedule 4-7

TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transient guest tax	\$360,000	\$468,787	\$108,787
Charges for sales and services	<u>115,000</u>	<u>67,802</u>	<u>(47,198)</u>
Total revenue	<u>\$475,000</u>	<u>\$536,589</u>	<u>\$ 61,589</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$153,300	\$144,143	\$ 9,157
Operations	<u>373,600</u>	<u>245,959</u>	<u>127,641</u>
Total expenditures	<u>\$526,900</u>	<u>\$390,102</u>	<u>\$136,798</u>
Revenue over (under) expenditures	\$ (51,900)	\$146,487	\$198,387
Other Financing Sources (Uses):			
Operating transfer (out)	-	(20,000)	(20,000)
Fund Balances, January 1	51,900	629,698	577,798
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, prepaid expense and inventory	<u>-</u>	<u>25,880</u>	<u>25,880</u>
Fund Balances, December 31	<u>-</u>	<u>\$782,065</u>	<u>\$782,065</u>

CITY OF LIBERAL, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 29,000	\$ 36,879	\$ 7,879
<u>Expenditures</u>			
Health – Alcoholic Treatment:			
Contractual services	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Revenue over (under) expenditures	\$ (6,000)	\$ 1,879	\$ 7,879
Fund Balances, January 1	6,000	37,122	31,122
Other Changes:			
Increase or (decrease) in reserves	<u>-</u>	<u>(745)</u>	<u>(745)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 38,256</u>	<u>\$ 38,256</u>

CITY OF LIBERAL, KANSAS

Schedule 4-9

SPECIAL CITY BEAUTIFICATION FUND
(5% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 175,000	\$202,921	\$ 27,921
Use of Money and Property:			
Interest	1,000	528	(472)
Charges for Services:			
Tree cost sharing	<u>5,000</u>	<u>4,440</u>	<u>(560)</u>
Total revenue	<u>\$ 181,000</u>	<u>\$207,889</u>	<u>\$ 26,889</u>
<u>Expenditures</u>			
Public works:			
Personal services	\$ 117,000	\$123,903	\$ (6,903)
Contractual services	<u>239,000</u>	<u>98,353</u>	<u>140,647</u>
Total expenditures	<u>\$ 356,000</u>	<u>\$222,256</u>	<u>\$133,744</u>
Revenue over (under) expenditures	\$ (175,000)	\$ (14,367)	\$160,633
Fund Balances, January 1	175,000	366,486	191,486
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expenses	<u>-</u>	<u>1,283</u>	<u>1,283</u>
Fund Balances, December 31	<u>-</u>	<u>\$353,402</u>	<u>\$353,402</u>

CITY OF LIBERAL, KANSAS

Schedule 4-10

SPECIAL HOUSING FUND
(15% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 525,000	\$608,764	\$ 83,764
Use of Money and Property:			
Interest	2,500	731	(1,769)
Other:			
Miscellaneous	<u>-</u>	<u>47,525</u>	<u>47,525</u>
Total revenue	\$ 527,500	\$657,020	\$129,520
<u>Expenditures</u>			
Urban Development & Housing:			
Project expense	<u>1,052,500</u>	<u>436,280</u>	<u>616,220</u>
Revenue over (under) expenditures	\$ (525,000)	\$220,740	\$745,740
Fund Balances, January 1	525,000	437,929	(87,071)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	<u>-</u>	<u>3,974</u>	<u>3,974</u>
Fund Balances, December 31	<u>-</u>	<u>\$662,643</u>	<u>\$662,643</u>

CITY OF LIBERAL, KANSAS

Schedule 4-11

SPECIAL CRIME PREVENTION DRUGS AND ALCOHOL FUND
(5% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 175,000	\$202,921	\$ 27,921
Use of Money and Property:			
Interest	2,500	1,232	(1,268)
Contributions	<u>-</u>	<u>6,193</u>	<u>6,193</u>
Total revenue	\$ 177,500	\$210,346	\$ 32,846
<u>Expenditures</u>			
Public Safety:			
Program expense	<u>352,500</u>	<u>206,884</u>	<u>145,616</u>
Revenue over (under) expenditures	\$ (175,000)	\$ 3,462	\$178,462
Fund Balances, January 1	175,000	844,288	669,288
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>1,301</u>	<u>1,301</u>
Fund Balances, December 31	<u>-</u>	<u>\$849,051</u>	<u>\$849,051</u>

CITY OF LIBERAL, KANSAS

Schedule 4-12

SPECIAL ECONOMIC DEVELOPMENT FUND
(15% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 525,000	\$ 608,764	\$ 83,764
Charges for services	-	3,045	3,045
Use of Money and Property:			
Interest	5,000	3,604	(1,396)
Grant proceeds	<u>-</u>	<u>193,846</u>	<u>193,846</u>
Total revenue	\$ 530,000	\$ 809,259	\$ 279,259
<u>Expenditures</u>			
Economic Development:			
Project expense	<u>2,791,200</u>	<u>762,018</u>	<u>2,029,182</u>
Revenue over (under) expenditures	\$ (2,261,200)	\$ 47,241	\$2,308,441
Fund Balances, January 1	2,261,200	2,440,034	178,834
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>4,539</u>	<u>4,539</u>
Fund Balances, December 31	<u>-</u>	<u>\$2,491,814</u>	<u>\$2,491,814</u>

CITY OF LIBERAL, KANSAS

Schedule 4-13

STREET DRAINAGE AND OTHER CAPITAL IMPROVEMENTS FUND

(60% OF 1% SALES TAX)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$2,100,000	\$2,435,055	\$ 335,055
Use of Money and Property:			
Interest	10,000	3,633	(6,367)
Other:			
Miscellaneous	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenue	\$2,115,000	\$2,438,688	\$ 323,688
<u>Expenditures</u>			
Public Works:			
Entity's share	<u>2,775,000</u>	<u>891,897</u>	<u>1,883,103</u>
Revenue over (under) expenditures	\$ (660,000)	\$1,546,791	\$2,206,791
Other Financing Sources (Uses):			
Operating transfer in (out)	-	(444,405)	(444,405)
Fund Balances, January 1	660,000	1,353,485	693,485
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>15,838</u>	<u>15,838</u>
Fund Balances, December 31	<u>-</u>	<u>\$2,471,709</u>	<u>\$2,471,709</u>

CITY OF LIBERAL, KANSAS

Schedule 4-14

AIR MUSEUM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transit guest tax	\$ 30,000	\$ 30,000	\$ -
Charges for Services:			
Admission	36,200	34,444	(1,756)
Gift shop and concessions	28,500	35,448	6,948
Contributions	1,500	1,338	(162)
Use of Money and Property:			
Rent	<u>500</u>	<u>300</u>	<u>(200)</u>
Total revenue	\$ <u>96,700</u>	\$ <u>101,530</u>	\$ <u>4,830</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$ 187,000	\$ 182,450	\$ 4,550
Operation and maintenance	<u>140,700</u>	<u>117,263</u>	<u>23,437</u>
Total expenditures	\$ <u>327,700</u>	\$ <u>299,713</u>	\$ <u>27,987</u>
Revenue over (under) expenditures	\$ (231,000)	\$ (198,183)	\$ 32,817
Other Financing Sources (Uses):			
Operating transfer in (out)	216,000	199,667	(16,333)
Fund Balances, January 1	15,000	49,642	34,642
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, inventory and prepaid expenses	<u>-</u>	<u>11,663</u>	<u>11,663</u>
Fund Balances, December 31	<u>-</u>	\$ <u>62,789</u>	\$ <u>62,789</u>

CITY OF LIBERAL, KANSAS

Schedule 5

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2012

	Improvement Projects						
	<u>6 Points Pavement & Signals</u>	<u>Mary Frame Park Renovation</u>	<u>Blue Bonnet Park</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>Centennial & Kansas Intersection</u>	<u>Pine Street Lighting</u>
ASSETS							
Cash and time deposits	\$ -	\$156,300	-	-	\$ 44,770	-	\$ -
Due from other funds	-	-	-	-	-	-	36,917
Receivables/Prepaid expense	<u>8,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 8,427</u>	<u>\$156,300</u>	<u>-</u>	<u>-</u>	<u>\$ 44,770</u>	<u>-</u>	<u>\$ 36,917</u>
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Bank overdraft	\$ 12	-	-	-	-	-	\$ 36,344
Vouchers payable	<u>8,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573</u>
Total liabilities	<u>\$ 8,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 36,917</u>
<u>Fund Balances</u>							
Nonspendable for receivables/ Prepaid expense	\$ 8,427	\$ -	-	-	\$ -	-	\$ 36,917
Assigned	<u>(8,427)</u>	<u>156,300</u>	<u>-</u>	<u>-</u>	<u>44,770</u>	<u>-</u>	<u>(36,917)</u>
Total fund balances	<u>-</u>	<u>\$156,300</u>	<u>-</u>	<u>-</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 8,427</u>	<u>\$156,300</u>	<u>-</u>	<u>-</u>	<u>\$ 44,770</u>	<u>-</u>	<u>\$ 36,917</u>

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2012

	Improvement Projects					
	<u>Western Ave. Street Improvement</u>	<u>Pre- Development Grant</u>	<u>Homeowner for Rehabilitation</u>	<u>Clay & Hwy 54 Lights</u>	<u>Get Out and Get Fit</u>	<u>Light Park Improvement</u>
ASSETS						
Cash and time deposits	-	\$ -	-	\$ -	-	\$ -
Due from other funds	-	-	-	6,865	-	-
Receivables/Prepaid expense	<u>-</u>	<u>27,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>942</u>
Total Assets	<u>-</u>	<u>\$ 27,580</u>	<u>-</u>	<u>\$ 6,865</u>	<u>-</u>	<u>\$ 942</u>
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Bank overdraft	-	\$ 21,996	-	\$ 6,865	-	\$ 942
Vouchers payable	<u>-</u>	<u>5,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>\$ 27,580</u>	<u>-</u>	<u>\$ 6,865</u>	<u>-</u>	<u>\$ 942</u>
<u>Fund Balances</u>						
Nonspendable for receivables/ Prepaid expense	-	\$ 27,580	-	\$ 6,865	-	\$ 942
Assigned	<u>-</u>	<u>(27,580)</u>	<u>-</u>	<u>(6,865)</u>	<u>-</u>	<u>(942)</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>-</u>	<u>\$ 27,580</u>	<u>-</u>	<u>\$ 6,865</u>	<u>-</u>	<u>\$ 942</u>

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2012

	Improvement Projects				
	<u>Depot Parking Lot</u>	<u>McWheeler Addition Street/Utility</u>	<u>North Kansas Avenue Sidewalk</u>	<u>South Kansas Avenue</u>	<u>South Park/ Pine Street</u>
ASSETS					
Cash and time deposits	\$ 61,820	-	-	\$165,478	\$194,281
Due from other funds	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-
Total Assets	<u>\$ 61,820</u>	<u>-</u>	<u>-</u>	<u>\$165,478</u>	<u>\$194,281</u>
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Bank overdraft	-	-	-	-	\$ -
Vouchers payable	-	-	-	-	743
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 743</u>
<u>Fund Balances</u>					
Nonspendable for receivables/ Prepaid expense	\$ -	-	-	\$ -	\$ -
Assigned	<u>61,820</u>	<u>-</u>	<u>-</u>	<u>165,478</u>	<u>193,538</u>
Total fund balances	<u>\$ 61,820</u>	<u>-</u>	<u>-</u>	<u>\$165,478</u>	<u>\$193,538</u>
Total Liabilities and Fund Balances	<u>\$ 61,820</u>	<u>-</u>	<u>-</u>	<u>\$165,478</u>	<u>\$194,281</u>

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2012

	Improvement Projects					
	<u>Willow Tree Irrigation</u>	<u>Purdue Street</u>	<u>15th Street Drainage</u>	<u>Airport Industrial Park</u>	<u>US 54 West Entrance</u>	<u>Total</u>
ASSETS						
Cash and time deposits	\$ -	-	\$625,026	\$ -	\$ 37,361	\$1,285,036
Due from other funds	9,250	-	-	12	-	53,044
Receivables/Prepaid expense	-	-	-	-	-	36,949
Total Assets	\$ <u>9,250</u>	<u>-</u>	<u>\$625,026</u>	<u>\$ 12</u>	<u>\$ 37,361</u>	<u>\$1,375,029</u>
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Bank overdraft	\$ 9,250	-	-	\$ -	-	\$ 75,409
Vouchers payable	-	-	-	12	-	15,327
Total liabilities	\$ <u>9,250</u>	<u>-</u>	<u>-</u>	<u>\$ 12</u>	<u>-</u>	<u>\$ 90,736</u>
<u>Fund Balances</u>						
Nonspendable for receivables/ Prepaid expense	\$ 9,250	-	\$ -	\$ 12	\$ -	\$ 89,993
Assigned	(9,250)	-	625,026	(12)	37,361	1,194,300
Total fund balances	-	-	<u>\$625,026</u>	<u>-</u>	<u>\$ 37,361</u>	<u>\$1,284,293</u>
Total Liabilities and Fund Balances	\$ <u>9,250</u>	<u>-</u>	<u>\$625,026</u>	<u>\$ 12</u>	<u>\$ 37,361</u>	<u>\$1,375,029</u>

CITY OF LIBERAL, KANSAS

Schedule 6

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2012

	<u>Improvement Projects</u>						
	<u>6 Points Pavement & Signals</u>	<u>Mary Frame Park Renovation</u>	<u>Blue Bonnet Park</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>Centennial & Kansas Intersection</u>	<u>Pine Street Lighting</u>
<u>Revenue</u>							
Entities' share	\$ 4,910	-	\$340,993	-	-	\$ 65	-
Grants:							
State of Kansas	-	-	-	-	-	-	-
Total revenue	<u>\$ 4,910</u>	<u>-</u>	<u>\$340,993</u>	<u>-</u>	<u>-</u>	<u>\$ 65</u>	<u>-</u>
<u>Expenditures</u>							
Construction cost	\$ 1,900	-	\$406,139	\$ 12,689	-	\$ -	\$ 36,917
Engineering/architect	32,947	-	-	-	-	65	-
Other	12	-	78	-	-	-	-
Total expenditures	<u>\$ 34,859</u>	<u>-</u>	<u>\$406,217</u>	<u>\$ 12,689</u>	<u>-</u>	<u>\$ 65</u>	<u>\$ 36,917</u>
Excess or (deficiency) of revenue over expenditures	\$ (29,949)	\$ -	\$ (65,224)	\$ (12,689)	\$ -	-	\$ (36,917)
Fund Balances, January 1	21,522	156,300	65,224	12,689	44,770	-	-
Other Financing Sources (Uses):							
Increase (decrease) in reserves	<u>8,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,917</u>
Fund Balances, December 31	<u>-</u>	<u>\$156,300</u>	<u>-</u>	<u>-</u>	<u>\$ 44,770</u>	<u>-</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2012

	Improvement Projects					
	<u>Western Ave.</u> <u>Street</u> <u>Improvement</u>	<u>Pre-</u> <u>Development</u> <u>Grant</u>	<u>Homeowner</u> <u>for</u> <u>Rehabilitation</u>	<u>Clay &</u> <u>Hwy 54</u> <u>Lights</u>	<u>Get Out</u> <u>and Get Fit</u>	<u>Light Park</u> <u>Improvement</u>
<u>Revenue</u>						
Entities' share	\$ 573,000	\$ -	\$ -	-	\$ 288	\$ 113,309
Grants:						
State of Kansas	-	155,147	63,453	-	22,560	-
Total revenue	<u>\$ 573,000</u>	<u>\$155,147</u>	<u>\$ 63,453</u>	<u>-</u>	<u>\$ 22,848</u>	<u>\$ 113,309</u>
<u>Expenditures</u>						
Construction cost	\$ 211	\$ -	\$ 94,971	\$ -	\$ 22,704	\$ 2,151
Engineering/architect	-	-	-	6,865	-	-
Other	-	147,916	6,636	-	144	-
Total expenditures	<u>\$ 211</u>	<u>\$147,916</u>	<u>\$101,607</u>	<u>\$ 6,865</u>	<u>\$ 22,848</u>	<u>\$ 2,151</u>
Excess or (deficiency) of revenue over expenditures	\$ 572,789	\$ 7,231	\$ (38,154)	\$ (6,865)	-	\$ 111,158
Fund Balances, January 1	-	-	38,154	-	-	-
Other Financing Sources (Uses):						
Increase (decrease) in reserves	<u>(572,789)</u>	<u>(7,231)</u>	<u>-</u>	<u>6,865</u>	<u>-</u>	<u>(111,158)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2012

	Improvement Projects				
	<u>Depot Parking Lot</u>	<u>McWheeler Addition Street/Utility</u>	<u>North Kansas Avenue Sidewalk</u>	<u>South Kansas Avenue</u>	<u>South Park/ Pine Street</u>
<u>Revenue</u>					
Entities' share	-	-	\$ 8,501	-	-
Grants:					
State of Kansas	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>\$ 8,501</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>					
Construction cost	\$ 21,349	\$ 11,476	\$ 5,244	-	\$ 40,265
Engineering/architect	-	-	3,257	-	1,476
Other	-	-	-	-	4,036
Total expenditures	<u>\$ 21,349</u>	<u>\$ 11,476</u>	<u>\$ 8,501</u>	<u>-</u>	<u>\$ 45,777</u>
Excess or (deficiency) of revenue over expenditures	\$ (21,349)	\$ (11,476)	-	\$ -	\$ (45,777)
Fund Balances, January 1	83,169	11,476	-	165,478	239,315
Other Financing Sources (Uses):					
Increase (decrease) in reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 61,820</u>	<u>-</u>	<u>-</u>	<u>\$165,478</u>	<u>\$193,538</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2012

	Improvement Projects					
	<u>Willow</u> <u>Tree</u> <u>Irrigation</u>	<u>Purdue</u> <u>Street</u>	<u>15th Street</u> <u>Drainage</u>	<u>Airport</u> <u>Industrial</u> <u>Park</u>	<u>US 54</u> <u>West</u> <u>Entrance</u>	<u>Total</u>
<u>Revenue</u>						
Entities' share	-	\$ 759	\$657,440	\$ 48,344	-	\$1,747,609
Grants:						
State of Kansas	-	-	-	-	-	241,160
Total revenue	-	\$ 759	\$657,440	\$ 48,344	-	\$1,988,769
<u>Expenditures</u>						
Construction cost	\$ -	-	\$ -	\$ -	\$ 10,474	\$ 666,490
Engineering/architect	9,250	-	29,814	48,344	825	132,843
Other	-	-	-	12	-	158,834
Total expenditures	\$ 9,250	-	\$ 29,814	\$ 48,356	\$ 11,299	\$ 958,167
Excess or (deficiency) of revenue over expenditures	\$ (9,250)	\$ 759	\$627,626	\$ (12)	\$ (11,299)	\$1,030,602
Fund Balances, January 1	-	-	-	-	48,660	886,757
Other Financing Sources (Uses):						
Increase (decrease) in reserves	9,250	(759)	(2,600)	12	-	(633,066)
Fund Balances, December 31	-	-	\$625,026	-	\$ 37,361	\$1,284,293

CITY OF LIBERAL, KANSAS

Schedule 7

BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2012

<u>Revenues</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
Taxes:			
Delinquent tax	\$ 3,000	\$ 3,082	\$ 82
Motor vehicle tax	4,072	6,391	2,319
Total taxes	\$ 7,072	\$ 9,473	\$ 2,401
Miscellaneous	28	-	(28)
Total revenue	\$ 7,100	\$ 9,473	\$ 2,373
<u>Expenditures</u>			
Bond principal	\$ 395,000	\$ 385,000	\$ 10,000
Interest coupons	62,000	59,405	2,595
Miscellaneous	12,100	-	12,100
Total expenditures	\$ 469,100	\$ 444,405	\$ 24,695
Revenue over (under) expenditures	\$ (462,000)	\$ (434,932)	\$ 27,068
Other Financing Sources (Uses):			
Operating transfer in (out)	462,000	444,405	(17,595)
Fund Balances, January 1	-	2,229,590	2,229,590
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and encumbrances	-	(2,441)	(2,441)
Fund Balances, December 31	-	\$2,236,622	\$2,236,622

CITY OF LIBERAL, KANSAS

Schedule 8

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS – SCHEDULE BY SOURCE
December 31, 2012

Governmental Funds Capital Assets:

Land	\$ 1,552,593
Buildings	8,936,634
Structures and improvements other than buildings	8,253,613
Machinery, equipment, furniture and fixtures	4,953,393
Vehicles	4,739,948
Streets and other assets	60,153,840
Construction in progress	<u>1,003,388</u>

Total Governmental Funds Capital Assets	<u>\$89,593,409</u>
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CITY OF LIBERAL, KANSAS

Schedule 9

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the year ended December 31, 2012

<u>Function and Activity</u>	<u>Governmental Fund Capital</u>				<u>Governmental Fund Capital</u>	
	<u>Assets 01/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Assets 12/31/12</u>	
General Government:						
Administration	\$ 2,805,464	\$ 161,413	\$138,716	\$ (1,475)	\$ 2,826,686	
Building inspection	127,618	846	1,278	-	127,186	
Legislative	5,102	-	-	1,307	6,409	
Utility billing	10,048	-	-	-	10,048	
Finance & personnel	12,524	-	1,214	17,098	28,408	
City Manager	29,665	-	-	(18,300)	11,365	
Data processing	184,632	-	5,403	2,654	181,883	
Total general government	<u>\$ 3,175,053</u>	<u>\$ 162,259</u>	<u>\$146,611</u>	<u>\$ 1,284</u>	<u>\$ 3,191,985</u>	
Public Safety:						
Police	\$ 3,239,031	\$ 22,079	\$ 82,499	\$ (1,199)	\$ 3,177,412	
Fire	4,938,448	37,785	1,780	-	4,974,453	
Municipal Court	21,761	16,337	-	-	38,098	
Public Safety & animal control	126,370	3,045	-	1,199	130,614	
Communications	42,510	2,296	-	-	44,806	
Total public safety	<u>\$ 8,368,120</u>	<u>\$ 81,542</u>	<u>\$ 84,279</u>	<u>-</u>	<u>\$ 8,365,383</u>	
Public Works:						
Transportation	\$61,180,556	\$ 186,513	\$ 27,842	\$ (1,993)	\$61,337,234	
Engineering	35,347	-	-	-	35,347	
Recreation	1,504,458	62,874	48,638	(1,557)	1,517,137	
Arkalon	1,169,346	-	1,247	-	1,168,099	
Street lighting	404,832	36,917	-	-	441,749	
Airport	2,554,752	-	-	-	2,554,752	
Total public works	<u>\$66,849,291</u>	<u>\$ 286,304</u>	<u>\$ 77,727</u>	<u>\$ (3,550)</u>	<u>\$67,054,318</u>	
Community Service:						
Golf course	\$ 1,070,755	\$ 16,198	\$ 5,000	\$ 16,207	\$ 1,098,160	
Parks	3,348,632	525,444	408,966	11,436	3,476,546	
Swimming pool	5,327,683	-	-	-	5,327,683	
Economic development	37,583	220,943	798	(1,202)	256,526	
Cemetery	396,945	22,801	24,186	-	395,560	
Tourism	216,526	26,215	19,000	-	223,741	
Housing	67,395	40,000	38,564	1,475	70,306	
Air Museum	79,267	20,006	1,479	-	97,794	
Beautification	35,407	-	-	-	35,407	
Total community service	<u>\$10,580,193</u>	<u>\$ 871,607</u>	<u>\$497,993</u>	<u>\$ 27,916</u>	<u>\$10,981,723</u>	
Total Governmental Funds						
Capital Assets	<u>\$88,972,657</u>	<u>\$1,401,712</u>	<u>\$806,610</u>	<u>\$ 25,650</u>	<u>\$89,593,409</u>	

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Commission
City of Liberal, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Liberal, Kansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Liberal, Kansas' major federal programs for the year ended December 31, 2012. The City of Liberal, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Liberal, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the *Kansas Municipal Audit and Accounting Guide*; auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Liberal, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Liberal, Kansas' compliance.

To the City Commission
City of Liberal, Kansas

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Opinion on Each Major Federal Program

In our opinion, the City of Liberal, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Liberal, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Liberal, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal, Kansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the City Commission
City of Liberal, Kansas

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hay•Rice & Associates, Chartered

September 11, 2013

CITY OF LIBERAL, KANSAS

Schedule 10SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2012

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development: Rural Self-Help Housing Technical Assistance	10.420	N/A	\$155,147	\$155,147
U.S. Department of Housing and Urban Development Passed Through Kansas Housing Resources Corporation: Home Investment Partnerships Program	14.239	HOME3	63,453	63,453
U.S. Department of Transportation Federal Aviation Administration: Airport Improvement Program	20.106	N/A	161,036	150,603
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044	N/A	4,500	4,500
U.S. Department of Justice: Bulletproof Vest Partnership Program	16.607	N/A	3,172	3,172
U.S. Department of Transportation Passed Through Kansas Department of Transportation: State and Community Highway Safety	20.600	2012	1,687	1,687
Public Transportation Assistance Project	20.509	2012	<u>193,846</u>	<u>193,846</u>
Total Expenditures of Federal Awards			<u>\$582,841</u>	<u>\$572,408</u>

CITY OF LIBERAL, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2012

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberal, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

There were no subrecipient agreements at December 31, 2012.

Note C: Noncash Assistance and Cumulative Endowment Funds

The City of Liberal, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2012.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2012, there were no loans or loan guarantees outstanding at year end.

Note E: There was no interest subsidy received by the City of Liberal, Kansas under a federal loan or loan guarantee program.

CITY OF LIBERAL, KANSAS

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion.
2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

 Inventory – The City needs to continue to develop stronger controls over inventory. Perpetual systems should be considered.
3. No instances of noncompliance material to the financial statements of the City of Liberal, Kansas were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards that were considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the City of Liberal, Kansas expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Liberal, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
 Airport Improvement Program CFDA #20.106
 Public Transportation Assistance Project CFDA #20.509
8. The threshold for determining type A and B programs was:
 Type A – the larger of \$300,000 or 3% of total federal awards expended

 Type B – any programs that do not meet type A criteria specified above
9. The City of Liberal, Kansas was not determined to be a low-risk auditee.

CITY OF LIBERAL, KANSAS

Schedule 11
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2012

B. FINDINGS – FINANCIAL STATEMENTS

Material Weaknesses

2012-1. Inventory

Condition: There is a lack of adequate internal controls over inventory.

Criteria: Internal controls should be in place that provide reasonable assurance that inventory is safeguarded.

Cause: Internal controls over inventory are inadequately designed.

Effect: Because of the lack of internal controls over inventory, inventory is not adequately safeguarded.

Recommendation: Procedures should be implemented that result in greater safeguarding of inventory.

Response: The City agrees with the finding and the recommended procedures will be implemented.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF LIBERAL, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2012

Finding 2011-1. Payroll Department

Condition: This finding was a material weakness stating that there was a lack of segregation of duties and oversight within the department.

Recommendation: The auditor recommended that procedures should be implemented that result in greater segregation of duties and oversight such as cross-training.

Current Status: The recommendation was adopted during 2012. No similar findings were noted in the 2012 audit.

Finding 2011-2. Inventory

Condition: This finding was a material weakness stating that there was a lack of adequate internal control over inventory.

Recommendation: The auditor recommended that procedures should be implemented that result in greater safeguarding of inventory.

Current Status: Some progress was made on this finding during 2012. A similar finding was noted in the 2012 audit.